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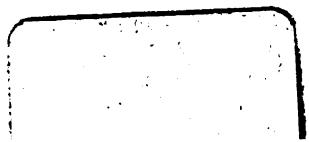
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SENATE. COMMITTEE ON AGRICULTURE & FORESTRY.

Stabilizing the prices of certain agricultural products ... Hearings ...

67-2 pt. 1-3



**STABILIZING THE PRICES OF CERTAIN
AGRICULTURAL PRODUCTS**

HEARINGS

BEFORE THE

**COMMITTEE ON AGRICULTURE AND FORESTRY
UNITED STATES SENATE**

**SIXTY-SEVENTH CONGRESS
SECOND SESSION**

ON

S. 2964

**A BILL TO PROMOTE AGRICULTURE BY STABILIZING THE
PRICES OF CERTAIN AGRICULTURAL PRODUCTS**

JANUARY 26, 27, 28, 31, AND FEBRUARY 2, 7, 8, 9, 14, 15, AND 17, 1922

Printed for the use of the Committee on Agriculture and Forestry



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STABILIZING THE PRICES OF CERTAIN AGRICULTURE PRODUCTS.

THURSDAY, JANUARY 26, 1922.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to call, at 10 o'clock a. m., in room 112, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris, Page, Harreld, Capper, Ladd, Heflin, and Caraway.

The CHAIRMAN. The committee will come to order.

The committee has met for the purpose of considering S. 2964, a bill introduced by Senator Ladd.

I will ask the stenographer to copy the bill in the record.

(The bill referred to is as follows:)

[S. 2964, Sixty-seventh Congress, second session.]

A BILL To promote agriculture by stabilizing the prices of certain agricultural products.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this act may be cited as the "agricultural prices stabilization act, 1922."

SEC. 2. When used in this act, (a) the term "controlled agricultural product" means wheat, shelled corn, raw cotton, and raw wool, produced in the United States; (b) the term "Grain Corporation" means the United States Grain Corporation, a corporation of the State of Delaware.

SEC. 3. Upon August 1, 1922, 1923, 1924, and 1915, the Secretary of Agriculture, the Secretary of Labor, and the chairman of the Interstate Commerce Commission shall jointly establish and promulgate minimum prices of controlled agricultural products of the crops of 1923, 1924, 1925, and 1926, respectively. Such minimum prices shall differentiate between such official grades of such controlled agricultural products as have been established under authority of any law of the United States, and may differentiate, to such extent as such officers of the United States deem advisable, between grades to be established by such officers of any controlled agricultural product for which no such official grades have been established. Such prices shall be based upon the estimated cost of production of the controlled agricultural product to the producer, including any costs to the producer in respect to the transportation thereof to the purchaser and a reasonable profit for the producer. For the crops of such products for the year 1922 the following minimum prices are hereby established:

Wheat No. 1, northern spring, at Chicago, \$1.50 per bushel.

Wheat No. 1, northern spring, at Minneapolis, \$1.46 per bushel.

Corn No. 2, yellow, at Chicago, 85 cents per bushel.

Cotton middling spot, at New Orleans, 18 cents per pound.

Wool, unwashed, at Boston, 55 cents per pound.

Wool, unwashed, at St. Louis, 55 cents per pound.

SEC. 4. In order to stabilize the prices of controlled agricultural products and readjust price conditions as to such products arising from the World War and Government control of prices during such war, and in order to regulate foreign commerce in such products, the Grain Corporation is directed to purchase for cash controlled agricultural products of the crop of 1922, 1923, 1924, 1925, and 1926 at the price established therefor under section 3 and in such amounts as may be necessary to provide the producer thereof with opportunity to sell the product for such price. The Grain Corporation shall sell

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for cash, or upon credit upon such terms as it deems advisable, any controlled agricultural product so purchased, (1) to domestic manufacturers or consumers at an advance on the purchase price sufficient to cover the cost of handling, transportation, insurance, storage, and other charges in respect to the product; (2) to foreign manufacturers and consumers at such prices as the Grain Corporation deems advisable.

SEC. 5. All acts of the Grain Corporation on and after March 3, 1921, shall have the same validity as if the resolution entitled "Joint resolution determining that certain acts of Congress, joint resolutions, and proclamations shall be considered as if the war had ended and the present or existing emergency expired," approved March 3, 1921, had not been passed. The Grain Corporation is directed, as rapidly as may be reasonably possible, (1) after the passage of this act, to discharge all its remaining obligations and to wind up and liquidate all its remaining business, property, and affairs arising or held in pursuance of authority exercised by it as a governmental agency under acts of Congress passed prior to March 3, 1921, and Executive orders and proclamations of the President issued thereunder; and (2) after July 1, 1927, to discharge all its remaining obligations and to wind up and liquidate all its remaining business, property, and affairs arising or held in pursuance of authority exercised by it as a governmental agency under this act or Executive orders issued thereunder. Upon such winding up and liquidation on and after July 1, 1927, the Grain Corporation shall dissolve in accordance with the laws of the State of Delaware, and all assets and property of the Grain Corporation when received shall, if not received in cash, be converted into cash and covered, or if received in cash be covered, into the Treasury of the United States as miscellaneous receipts.

SEC. 6. For the purposes of sections 4 and 5 there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$1,000,000,000 to be expended by the Grain Corporation. All unexpended balances of appropriations available at the time of the passage of this act for the use of the Grain Corporation, and moneys in the Treasury of the United States credited to the Grain Corporation, are made available for the purposes of such sections.

SEC. 7. All sums appropriated for the purposes of sections 4 and 5 (except the sum of \$100,000 for each fiscal year which may be used for administrative expenses, including salaries, to be approved by the President of the United States) shall be used by the Grain Corporation for the purchase of capital stock thereof, to be held and voted or caused to be voted by the President thereof, in the name and for the use and benefit of the United States, in the furtherance of the purposes of this act. For such purposes the Grain Corporation is authorized to increase and decrease its capital stock as may be necessary, and to extend its period of duration until July 1, 1930, and is directed to apply, in accordance with the laws of the State of Delaware, for such amendments to its charter as may, in its opinion, be necessary in order that the Grain Corporation may have the powers requisite for the execution of the functions vested in it as a governmental agency by this act.

SEC. 8. The President of the United States is authorized by Executive order (1) to designate an individual for whom the stock of the Grain Corporation shall be voted as President thereof, and (2) to establish such regulations as may, in his opinion, be necessary for the direction of the Grain Corporation in executing its functions as a governmental agency.

The CHAIRMAN. I understand there are gentlemen here who are in attendance on the so-called farmers' conference who desire to be heard.

First, Mr. J. S. Wannamaker. Is Mr. Wannamaker in the room?

Mr. WANNAMAKER. Yes, sir.

The CHAIRMAN. Are you ready to proceed, Mr. Wannamaker?

Mr. WANNAMAKER. Yes, sir.

STATEMENT OF MR. J. S. WANNAMAKER, PRESIDENT AMERICAN COTTON ASSOCIATION, ST. MATTHEWS, S. C.

The CHAIRMAN. Mr. Wannamaker we would be glad to hear you in your own way on this particular bill or your ideas on the general subject. If you desire, we will let you proceed without being interrupted until you have finished.

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Senator PAGE. Will you kindly state where you are from and what your official position is?

Mr. WANNAMAKER. Yes, sir. I am from St. Matthews, S. C. I am a banker, merchant, farmer, and president of the American Cotton Association, whose membership, composed of farmers, merchants, and bankers, covers the 14 cotton States, and the objects and purposes of which are the following:

1. To protect the interests of the cotton producer and to improve his condition.

2. To promote economic regulation of cotton production to the end that supply shall be so adjusted to demand that the producer shall at no time be required to sell his product at less than a fair and reasonable profit.

3. To promote intelligent diversification of crops and to develop markets for such crops other than cotton as may be profitably raised.

4. To improve and enlarge presently existing warehousing facilities and to secure additional facilities to the end that the producer may carry his crop, or such part as he may desire, at the minimum of expense and physical damage and at the maximum of security and financibility.

5. To broaden the markets for raw cotton and to enlarge the uses for cotton and cotton goods.

6. To improve and increase transportation and distribution facilities.

7. To collect information as to both domestic and foreign consumption of cotton, the state of trade, the extent of acreage, supply and condition of crop, and all other information of practical interest to the cotton industry, and to disseminate the results through the several suborganizations to every member of every community, together with directions as to the course to be pursued in order to secure the best results in view of the facts disclosed.

8. To do all and singular whatsoever may be conducive to the stability and profitableness of the cotton-producing industry.

The stabilization of the market values of staple farm products by a guaranty of fixed minimum prices by the Government, enacting into law Senate bill 2964, introduced by Senator Ladd, with the necessary changes as to minimum prices (some of the minimum prices named therein being far below the cost of production, as I will show later), or by the enactment of some similar legislation for the same purpose—it is the only method which can now be pursued for the rehabilitation of the whole country and the restoration of the agriculture and industry of the Nation.

The debt-paying and purchasing power of a large proportion of our population has absolutely been destroyed. The debacle in the price of agricultural products since May, 1920, brings this Nation face to face with the fact that unless immediate steps are taken to alleviate these conditions it will be necessary to treat the most fearful calamity that has ever befallen our agricultural and business interests.

As a result of a careful and systematic census taken of the agricultural sections of the West and the South, and a careful personal canvass of the representatives of agriculture and business attending the recent national agricultural conference, I find that the farmers of the Nation are burdened with debts incurred for the purpose of production at the peak of inflation; that they largely realize that it will be humanly impossible to discharge these debts with the deflated dollar, which they can only secure in a limited way by the sale of their products at approximately one-third the cost of production. I find that the banks and business institutions as well as the farmers have been caught in a trap and are being ground to powder between the upper and the lower millstones.

I wish to call your attention to the prices existing in the leading markets of the country on our main staple agricultural products in May, 1920, and the prices in August, 1921, as follows:

	May, 1920.	August, 1921.		May, 1920.	August, 1921.
Corn.....	\$1.98	\$0.55	Cattle.....	\$12.60	\$8.77
Cotton.....	.303	.129	Hides.....	.35	.14
Sugar.....	.2247	.058	Hogs.....	14.75	10.39
Wheat	2.97	1.23	Wool.....	1.16	.47

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The economic world is proverbially based on the principle of individualism. Deprive the individual of incentive to work and produce and he will neither work nor produce beyond what is absolutely necessary to support life. That would exclude the rest of society. And present prices do not afford the requisite incentive to the farmer to do his best to raise the big crop which the world emphatically needs for rehabilitation.

Government is a trust, and the officials of the Government are trustees; and both the trust and the trustees are created for the benefit of the people. The science of government is only a science of combinations, of applications, and of exceptions, according to times, places, and circumstances.

The Australian Government seems to have been impressed with this thought, and as a result they have brought great benefits not only to their farmers but to all lines of business through the stabilization of the prices of agricultural products. I beg to call your special attention to the result of the operation of the operation of such legislation in Australia.

Great Britain protected the cotton producers of Egypt by stabilizing the price of their product. The wonderful prosperity of Germany, it is conceded by students, was largely attributable to the constructive legislation in force for the protection and upbuilding of its agricultural interests, agriculture being given first consideration in its legislation. The interest rates to farmers in Germany before the war were from $3\frac{1}{2}$ per cent to $4\frac{1}{2}$ per cent. The same consideration is given to the agricultural producers of France, Italy, and other European countries in the passage of legislation, as you will find by referring to Senate Document No. 214, published in 1913, covering "Agricultural cooperation and rural credit in Europe."

As a matter of service to the entire Nation, I urge that you concentrate your every effort upon the passage of this remedial legislation. Immediate relief is necessary if we are to treat a calamity before it has befallen us.

The following is the result of a careful census and canvass of the agricultural sections of the South and the West:

Question: "What is the financial condition of your State and section?"

Practically universal answer from farmers, bankers, and State officials: "Most disastrous. Confidence and the debt-paying and purchasing power of our people has been absolutely destroyed. Our people are loaded with inflated debts incurred at the peak of inflation for the purpose of production. It was impossible to protect themselves against the debacle in prices which has brought wreck and ruin, and those who have been caught between the upper and lower millstones are being ground to powder. There is no market for our products, except in a limited way far below the cost of production; and while bankruptcy already breaks all previous records, unless relief is speedily received, we have only seen a beginning. Individuals and institutions, including banks, are making a desperate struggle to maintain their foothold until relief can be obtained, of course realizing that it will require a long period of years to enable them, even after confidence has been restored and the debt-paying and purchasing power reestablished, to slowly discharge the inflated debts which have been forced upon them."

Question: "Have you been able to make arrangements for securing the necessary credits for the operation of your farm or your business for the coming year?"

Answer. Twenty per cent of the farmers and business men replied: "Only in a limited way." Eighty per cent replied: "We have not been able to make any arrangements whatever. Our section is absolutely prostrated. We can see no incentive to produce. It is impossible under existing conditions to avoid the inevitable; the debts which we must discharge under these conditions can not be paid. Our people are leaving the farms and moving into the cities."

Many cases were cited of young men leaving America seeking employment in South America and Australia, it being conceded that many of those so leaving were the cream of the country.

Question: "What proportion of the taxes have been paid?"

Answer to this question brings to light the fact that in many of the agricultural sections of America, both in the South and the West, the people have not been able to pay but a small proportion of their taxes, and that unless relief is speedily secured it will necessitate the sale of their property for the settlement of taxes. Concerning the payment of taxes, a number of instances were cited to us emphasizing the fearful and disastrous effect upon the farmers of existing conditions. One farmer in the agricultural conference at Wash-

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ington from the West, stated that he paid his taxes with 4,000 bushels of corn in 1919, and that at the present price of corn it will require 21,000 bushels.

Question: "What effect has it had upon the education of your children?"

Answer: "It has necessitated the calling home of boys and girls from schools and colleges in many sections and the closing of schools. And thus the coming generations will be forced not only to shoulder the burden of existing debts but will pay the fearful penalty of being denied an education for themselves and children."

Question: "Do you feel that you are responsible for the predicament in which you have been caught? Is it not due to the lack of proper business forethought, to extravagance and wasteful and bad business methods in your personal farming and business affairs?"

Answer: Universal from farmers, bankers, and business men in the agricultural sections, "We were caught in a trap. The only way we could have possibly avoided being caught was to have ceased operations. Our Government urged us to increase production. They told us there would be a pressing demand for our products. We complied with the advice they gave, and between the time of planting and harvesting the debacle in prices came. We incurred the expense of production at the peak of inflation, in the midst of intense business activity and prosperity. When our products were ready for the market there was no market or demand, except in a limited way at around one-third the cost of production. Conditions were absolutely reversed; confidence destroyed; agriculture paralyzed; business stagnated. And the only people to-day who were not caught in this debacle are those who did not operate their farms or their business. After we planted our crops in 1920 the War Finance Corporation, which we had understood was created by Congress for the purpose of exporting staple crops, and also for providing machinery of credits, was removed, credits were restricted, and statements from high governmental sources were constantly issued through the press urging a return to lower prices, prewar prices, and it was urged that banks liquidate amounts due them. We could only make small payments on our indebtedness incurred for producing the 1920 crops, as there was no demand except in a limited way on a restricted market at around one-third the cost of production. Buyers, because panicky on account of the artificial deflation policy of the Federal Reserve Board, withdrew from the markets and canceled orders already placed for goods to a greater extent than was ever known, it being estimated that these cancellations amounted to fully \$5,000,000,000, which added to the panic. We could not close down our farms after we had planted our crops. The expense was already incurred, and the people from whom we had secured credits were in like manner caught. There had been a pressing demand for our products since cessation of hostilities, and we had no intimation that this policy would be enforced. On staple crops such as cotton the drop was so enormous that it was necessary for us to mortgage our farms and homes in an effort to protect the banks, although they had originally only loaned us a small proportion of the market price.

"Surely it is the duty of the Government to relieve us of the predicament in which we have been caught. Unless immediate relief is secured conditions will grow far worse. The only possible relief to these conditions is for the Government to put into operation the necessary machinery whereby we can secure at least the cost of production for our products, to say nothing of the cost of production plus a reasonable profit. Unless this is done it will be humanly impossible for us to continue to produce, to say nothing of our ability to discharge the fearful debts which we now owe. Therefore, unless this relief is extended at once not only our Nation, but the entire world, will certainly face famine supplies, on account of our inability to produce and the lack of an incentive to work and produce. In addition to this, bankruptcy will enormously increase, it being impossible, of course, under existing conditions for the banks and business institutions to liquidate their debts."

The financial conditions throughout the cotton belt of America among farmers and business interests generally are the worst known in the history of the country. The cost of producing cotton has been greatly increased and rendered exceedingly hazardous by the widespread ravages of the boll weevil. The average cost of growing cotton in 1921, as ascertained by experts, from the operation of a large number of farms was 31 $\frac{1}{4}$ cents per pound, bulk line. From carefully conducted experiments under experts on 1,600 farms covering various sections of the cotton belt in 1920, it was found that the average cost of growing cotton was 37 cents per pound for the basic bulk line.

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I also wish to call your careful attention and thought to a detailed statement covering vital statistics on the cost of producing cotton and the stabilization of the prices of cotton, which I beg you will permit me to file with my testimony. Better business conditions can come only after better agricultural conditions. The acute agricultural depression is a serious obstacle to business recovery. How much better business can be or will be depends upon agriculture and the opportunity it has to prosper and make progress. When the greatest industry of our Nation—agriculture—worth \$80,000,000,000 and capable of supplying the Nation annually with twenty-two billions of new wealth and 50 per cent of its bank deposits, is well-nigh bankrupt, absolutely prostrate, it would seem that a solution of this problem would be above section, above politics; that legislation for this purpose would be hailed with joy by every line of industry and by the people of the entire Nation. Legislation that would promote the primary industry for the production of food and raiment should be considered as of the common good—a national necessity.

I most sincerely hope that you will give this matter the immediate and careful consideration which it so richly merits, not only in the interests of the people of your State but of the entire Nation and the world at large. A proper solution of this question is vitally necessary for immediate relief of our agriculture and business. It vitally concerns our very civilization. Relief of these conditions can only be obtained by enabling the producer to secure cost plus a reasonable profit for his products. It is only in this way that confidence and our debt-paying and purchasing power can be restored. It is only in this way that agriculture can be revived. The very life of our agricultural industry depends upon prompt Federal legislation, and such remedial legislation will bring the greatest good to the greatest number, as our very commerce and civilization rest upon agriculture.

The people of this Nation are looking to Congress for relief to this problem which threatens to wreck our very business fabric and retard our civilization.

Agriculture is the basic industry of the Nation. The pioneers of America blazed the pathway for the foundation of this great Republic by clearing the forests and tilling the soils. From these hardy settlers of the Nation, typical farmers, came the Presidents, statesmen, great bankers, merchants, manufacturers, and railway leaders. Not only does agriculture represent the foundation upon which the progress and potential wealth of this Nation has been constructed but from the sturdy rural population has been drawn the strong and virile manhood and womanhood whose descendants have populated the cities, developed commerce, and engineered the vast industrial energies of commercial life throughout the United States. Nearly 40 per cent of the entire population resides in the rural districts of America. Practically 12,000,000 farmers each year expend their energies, capital, and brain in producing the raw products which not only provide food and raiment for 110,000,000 people but furnish more than half the exports of this country to foreign nations. Fully 90 per cent of the primary wealth of the United States each year is drawn from the raw products of American farms, thereby contributing the leading factors of trade and commerce in the Nation. Fifty per cent of the freight traffic in the Nation is made up of farm products in the form of food, textile fibers, and live stock. More than \$100,000,000,000 are represented in the values of American farm lands, investments in machinery and live stock far exceeding the values of any other industry in the Nation.

These facts conclusively emphasize the necessity and high importance of governmental protection of the agricultural industry of this Nation, not from the standpoint of class legislation as specially favoring a class of its citizens but from the logical standpoint of safeguarding that industry upon which the very life of the Nation and its population so vitally depends for food, raiment, raw products for all industries, and the primary wealth of the Republic.

The policy of governmental protection of agriculture by the enactment of special laws and making provision for governmental cooperation in farm finance and cooperative marketing of farm products has been an established principle for half a century in all the leading agricultural countries of Europe. The laws of these countries furnish indisputable evidence that agriculture as an industry enjoys specific class legislation in its favor not allowed to other industries. The explanation of the reason for such class legislation by these governments is that no nation can grow in wealth and maintain a progressive civilization within its own resources without a prosperous and contented rural population. Thus is recognized the fact by all advanced nations throughout the world that agriculture is the basic industry upon which progressive civil-

ization must depend, and without that industry operating upon a prosperous basis no nation can be permanently strong. The decadence of its agriculture has been the forerunner of the downfall of every civilized country recorded in the annals of history for the past 2,000 years.

Specific class legislation in favor of agriculture in foreign countries consists in making provision for separate and distinct methods of finance covering both short and long-time loans for farmers. The rate of interest charged farmers on loans of every character are regulated by law not to exceed 4 per cent per annum and a charge for handling each transaction by the farm banks not in excess of one-fourth of 1 per cent, making a total interest rate per annum of 4½ per cent. Laws are so framed and enforced as to absolutely prevent and prohibit any arbitrary limitation of credits, contraction of currency, or an advance in the interest rates on loans made to farmers. Laws are further provided for governmental cooperation and aid in the organization and operation of scientifically managed cooperative marketing associations. These associations are so managed as to secure the most rigid economy and efficiency in the marketing and distribution of farm products so that the farmers may receive a profit on their industry, and by elimination of expensive handling in distribution the cost of food to the consuming population is greatly lessened.

The detailed data covering these methods of governmental cooperation with the agricultural industry in European countries is fully recited in Senate document 214, published in 1913 under the heading "Agricultural Cooperation and Rural Credit in Europe." Instead of being regarded as class legislation, special helpful laws favoring agriculture are in the interest of the great masses of consumers of the Nation as well as the producers. Foreign countries have also established the precedent of further giving governmental protection to their agriculture by fixing a minimum price on leading staple farm products, so as to stabilize their market value on a basis of cost plus a reasonable profit to the growers during the prevalence of a world cataclysm of deflation such as has been permitted to sweep over the United States and prostrate the agricultural industry of this country.

The CHAIRMAN. How do foreign countries stabilize market values?

Mr. WANNAMAKER. I will point out in this connection the effect of governmental protection to agriculture by minimum price fixing to stabilize the market values of leading staple farm products within the past two years, especially citing the action of the Governments of Great Britain and Australia.

England checked the depressing influences of deflation on Egyptian cotton, after deflation had been recklessly enforced in this country, by promptly fixing a minimum price of 27 cents per pound on Egyptian cotton and a loan value of 25 cents. The English Government was not forced to buy any cotton at the price fixed or to put up any loans, although it stood ready and willing to do so. The cotton trade at Alexandria accepted the situation and bought all cotton offered at 27 cents, and in many instances paid a very much higher price. There was no lessening of demand caused by the governmental fixing of a minimum price, but it did protect the growers from heavy losses which they would have faced if left to the merciless clutches of the buying trade.

When the Australian Government learned of the deflation policies of contracted credits and high interest rates in America and the drastic depression such policies were having on the prices of American farm products, that Government took prompt steps to prevent any such debacle overtaking the farmers and business interests of Australia. The Australian Government ascertained the actual average cost of producing the leading staple crops of that country, and after adding a small profit to the cost, fixed a minimum selling price and loan value as a protection to the farmers. What was the result? The buying trade accepted the ultimatum of the Australian Government and bought all supplies needed at the minimum price or above. The Government had to employ very little money to maintain the minimum prices fixed. The result has been that the Australian farmers have not felt the depressing financial losses in deflation which affected the farmers of the United States. The Australian farmers are prosperous and contented. Every line of business in that country has prospered and the wave of pessimism, bankruptcies, suicides, and unemployment which has swept this Nation from shore to shore has not been experienced in that great Republic of the Pacific. The Government protected the people instead of surrendering its constitutional rights to a lot of plutocratic financiers, as did this country. The people of Australia are happy and prosperous because they have a Government of the people and for the people. The wealth, power, and influence of Australia

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is not comparable to the United States, but they are blessed with statesmen who have the courage of their convictions and were determined to protect the primary wealth producers of their country.

The Government of Brazil has always protected the coffee-growing industry of that country and will continue to do so. The diamond mines of South Africa are protected by Great Britain in the same way.

The CHAIRMAN. How does Brazil fix the price?

Mr. WANNAMAKER. She absolutely buys the coffee.

Let me just digress one second. In our conference down here we are working out, I think, some constructive measures, but there has been nothing done there to relieve this distressing situation which has paralyzed our agriculture and stagnated commerce. I think your act here hits it right on the head. Immediate relief, a restoration of markets for our agricultural products, is vitally necessary. We to a very large extent are not out of the war yet, and we will not be until the German reparation has been agreed upon on a basis that Germany can pay and foreign indebtedness arranged. When will we be out is a question now being asked by every banker, business man, and farmer in the agricultural section. Take three sections—the middle, the West, and the South. The banker and business man are afraid to extend additional credit. Confidence is destroyed and there is no debt-paying and purchasing power. Until these foreign markets are fully available we have no assurance of a market for American products that are exported. Therefore, if the Government is not going to stabilize prices, or assure the farmer of cost of production, his business is unsafe and purely a gamble, because we know we can not hope for relief in prices until the question of German reparation has been settled upon a basis that Germany can pay. We should take an active part in the Genoa conference. If this conference does not have a representative of America, can we then hope for any settlement of this problem? The American producer can not get relief until the foreign reparations question has been settled and foreign markets are open. Until that time comes I do not think it is overdrawing to state unless we have stabilization of prices our condition is not going to be any better, but far worse. If they raise the hue and cry that they are going to raise against stabilization, that it is paternalism, which is the worse, paternalism or agricultural bankruptcy? That we should take no part in the settlement of German reparation, no part in the Genoa conference, is inconceivable. The restoration of peace can only be established by America actively participating. Why longer delay a return to peace? This delay is unjust to our living, unjust to our dead. If this Government, through Congress, fails to stabilize prices, so that the producer will be saved from bankruptcy, and so that allied interests which rest upon agriculture will be protected, certainly during this period, until the war can come to a close, let them fall to do that, and then we will revert back in civilization. Amelioration of the distressing conditions which have been forced upon agriculture is a national necessity to prevent a national calamity.

What is the trouble to-day? Lack of profitable prices for agricultural products; no market for them.

Senator HEFLIN. Failure to get money to hold cotton off the market.

Mr. WANNAMAKER. And failure to get money to hold cotton off the market. Under existing conditions, since the starting of the artificial deflation policy, the producers have been helpless; confidence has been destroyed. The markets respond to the manipulations of gamblers as never before. The bear gambler forces prices down. The man who is growing cotton or other staple crops is called upon by the banks for margins. He can not secure additional margins to protect the cotton or staple crop on which he has borrowed. This means that these crops are forced upon the market at sacrificial prices. It is equivalent to stabbing a corpse, robbing the dead. There should be some minimum price representing the bread line, below which prices will not be permitted to go. This is necessary in protection to the producer as well as to the financial institutions. As matters have stood since the spring of 1920, it is equivalent to sitting on a keg of dynamite and playing with fire. One never knows when the prices will be driven down and to what level they will go, and the fact that the producers have been drained to the bone in their efforts to protect their products on which they have borrowed, renders the financial institutions all the more timid. Both bankers, brokers, and other lines of business, who have made advances on these products frequently call for margins, whereas if business were normal, no such calls would be made. If the producer is un-

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able to respond, his product is forced upon the market and thus assisting the gambler in beating down prices. We have a law in force forbidding the exchanges to make a change in prices of over 200 points per day. As a matter of protection to the farmers, the legitimate lines of industry and the banks, would it be unreasonable to pass a law forbidding that prices on cotton, wheat, and corn be forced below a certain level on the exchange? This protection is due the consumers as well as the producers. These are the necessities of life, and if the producers are slaughtered, in the end the consumers will pay a penalty.

The CHAIRMAN. Mr. Wannamaker, will it embarrass you or interrupt you if at this point I ask you some questions?

Mr. WANNAMAKER. No, sir.

The CHAIRMAN. I understand your plan is that we should provide by law for the purchase of staple agricultural products at a minimum price?

Mr. WANNAMAKER. Yes, sir.

The CHAIRMAN. In the first place, how many agricultural products would you stabilize? What do you think would be necessary?

Mr. WANNAMAKER. I think it would only be necessary for you to take wheat, corn, and cotton.

The CHAIRMAN. Wheat, corn, and cotton?

Mr. WANNAMAKER. Yes.

The CHAIRMAN. And how would you fix the minimum price?

Mr. WANNAMAKER. The way I would fix that minimum price, of course, you would have to establish a commission of investigation, in fact, like they did in Australia, as to costs. I could take up some of your time and give you something on the question of cost. The conference appointed the president of the New England Cotton Manufacturers, who is also connected with the operation of a large cotton farm in the South and recognized as one of the leading business men of the country; the chairman of this committee, Mr. D. R. Coker, is a prominent banker, a member of the Federal Reserve Board of the Richmond district, is a prominent business man and recognized as one of the most scientific farmers of the South; several business men; leading farmers from various sections of the belt, and myself, to reach the cost of production of cotton, and after careful research we made a unanimous report. We all conceded the fact that the cost of production, based upon what you show in this bill, would bring to the man, his wife, and two children, a total amount of 64 cents per day combined for the labor of the four.

Senator HARRELD. That is the amount fixed, or is that the cost?

Mr. WANNAMAKER. No; I was getting back to the amount stated in this bill.

Senator HEFLIN. That is what the whole family made in one day?

Mr. WANNAMAKER. Yes, sir; 64 cents only.

Senator HARRELD. And what did you fix as the actual cost of producing the cotton?

Mr. WANNAMAKER. On the actual cost of it? This element entered into it. On 1,600 farms the cost shown in 1920 by the Government was 37.5 cents basis middling. You don't take everything as middling cotton. There are different grades. On our committee a test was made of several hundred farms, and the cost for the present year was 31 cents basis middling, with the relative differences.

Now, let me qualify that for you in one section. The production of cotton is being steadily decreased by the inroads of the boll weevil now covering 90 per cent of the cotton belt; also the one-crop system is reducing the production per acre, and this, of course, increases the cost of production.

The production is falling instead of increasing. The destruction of the cotton industry is threatened from three sources. One of these sources can be protected by your committee in establishing some means whereby the price can be stabilized. The first source is this—the fact that until the foreign markets are opened up we will not have a normal market, of course, for 66 per cent of our cotton is exported, and the producer, being without a market, has reached the limit to which he can go, and the banks in the agricultural sections have reached the limit to which they can go, and it means the closing of many banks in the agricultural sections of the country, unless relief is furnished as outlined.

The CHAIRMAN. Mr. Wannamaker, the point I wanted to get at is this, what would be the machinery by which the minimum price should be fixed?

Mr. WANNAMAKER. Now, I will get to that.

Senator HARRELD. One other question I would like to ask you before you go to that point: Will the cost of producing a pound of cotton be less or more this year than it was last?

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Mr. WANNAMAKER. The cost next year will be decidedly more. That will be also from three sources.

Senator PAGE. This year it was 31 cents?

Mr. WANNAMAKER. Yes, sir: 31 cents.

Senator PAGE. This bill provides that the price shall be 18 cents.

Mr. WANNAMAKER. I noticed that. That means a heavy loss. To deal fairly and justly with the agricultural industry there is but one way to fix a minimum price on leading farm staple products by the Federal Government. There should be adopted the same policy as that pursued by other Governments in fixing and maintaining a minimum price on the leading staple farm products of those countries. That is, to ascertain the average actual cost for producing each particular product to which such protection shall be given and then add to the cost a fair and reasonable profit for the benefit of the growers. This was the principle of equity laid down and adopted by the statesmen of Great Britain in dealing with Egyptian cotton in 1920-21, and the policy pursued by the Government of Australia in fixing a minimum selling price on the leading staple farm products of that country when the clouds of drastic deflation began to hover over the agricultural industry of America and which later struck down millions of farmers in this country without such governmental protection. Australia and Great Britain took steps promptly to prevent a calamity to their respective agricultural industry by an exercise of the power of governmental protection of the farmers, while the Government of the United States is slowly investigating methods of emergency relief after the calamity has shrouded the Nation's agriculture in gloom and the American farmers stand upon the threshold of universal annihilation.

If, for instance, it should be ascertained as a result of careful governmental investigation that the cost of producing cotton in 1921 throughout the cotton belt was 31 cents per pound, basis middling grade values, then that price should be adopted, plus a profit of \$10 per bale, and the governmental minimum selling price on the staple, basis middling, should be fixed at 33 cents per pound on the balance of the unsold cotton now held by the growers. If it be deemed the policy of the Government to force the growers to share in the general deflation in the market values of all products, and in the case of the cotton farmers that loss is figured at, say, \$30 per bale below the cost of production, or about 20 per cent loss, then the minimum price on the balance of the unsold portion of the crop should be fixed at 25 cents per pound, basis middling. It is a well-established rule in all lines of legitimate trade that prosperity can only follow in the footsteps of a fair and reasonable profit on capital and energy invested in any recognized legal vocation. The farmers of this Nation can not prosper when the market values of their products are forced into the channels of commerce and sold at prices far below the cost of production. The Government of the Nation can not prosper under such conditions, and neither can the banking and commercial industries save themselves from ultimate annihilation. It is a time-proven, historical fact which has faced all types of civilization through all the ages of the past.

The net loss of \$15,000,000,000 in the agriculture of the Nation during the past two years has stricken the American farmers almost beyond repair, and the rehabilitation of this vast and vitally necessary industry to the whole people can not be reconstructed and placed upon its feet without the prompt and forceful cooperative aid of the full machinery of the Federal Government along lines of the most helpful and protective agencies. It will require years of hard work and rigid economy to salvage from the wreck and ruin of the past two years' drastic deflation enough of the vital energies of the farmers to place the agricultural industry back upon its feet, even with the most satisfactory progress in the future. Overwhelming debts created under the peak of inflation can not be repaid with a deflated dollar, except at the cost of years of effort on the part of the farmers. If there must be a continuation of deflation in the market values of farm products, there must necessarily be initiated a widespread curtailment in production, the abandonment of thousands of farms, contraction of rural educational facilities, the abandonment of any effort to improve the rural life of the country, and stagnation take the place of a former happy and contented farm life. It takes no prophet's vision to forecast these conditions for the future if the existing situation is permitted to go forward unchecked. What does it profit a nation to strike down its basic industry in order that a financial policy of wreck and ruin under the guise of necessary deflation in the conduct of business may be carried out?

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The CHAIRMAN. If we could inflate or at least stop deflation until the debts were paid, he could do that, could he not?

Mr. WANNAMAKER. If he could live to be as old as Methuselah, and provided his farming operations or business activities had been limited, it is barely possible that he could discharge his inflated debts with a deflated dollar. As a result of the artificial deflation policy which has been so ruthlessly enforced since the spring of 1920, the farmers of this Nation have been crucified upon a cross of gold. There has only been a limited market for their products at about one-third the cost of production. This deflation policy has attracted the gold of the world. We to-day have hoarded in America a large proportion of the monetary gold of the entire world. The question of serious concern to the European nations is their ability to secure gold wherewith to transact commerce, and yet in America we have this vast amount of idle gold locked up. It has produced nonemployment so that we have a vast army of unemployed—around five millions of people. A long period of extension of time, with interest at the lowest possible rate, and a stabilization of the prices of all agricultural products, so as to assure the producer the cost of production, plus a reasonable profit, is absolutely necessary to enable our agriculture and commerce to slowly recover from the fearful conditions which have been forced upon them.

The CHAIRMAN. If we did not deflate, so that he could pay the debts with the same kind of a dollar he borrowed, he would have a fair chance, would he not?

Mr. WANNAMAKER. No, sir. The question confronting the American public today, Is the American producer going to follow in the footsteps of the producers of England following the Napoleonic war? Is he going back into a lower status of living? You can not pay these debts in a period of deflation that were created in a period when inflation was on. You can not pay a debt several times over, which would be necessary now. The payment of a debt several times over is absolutely unjust, and yet this is the only course open to those who incurred debts before the deflation policy was enforced. It is for this reason that bankruptcy is breaking all records and that suicides and insanity are common.

Senator HEFLIN. I think the chairman meant if he could get money now like he did before the deflation started he could pay them.

Mr. WANNAMAKER. If he can get money like he did before deflation he can pay on these debts, provided the value of the dollar has not been changed in its purchasing power. Of course, if we had second inflation, this in itself would save a vast multitude from wreck and ruin, enabling them to discharge the debts which they had incurred on the previous inflation. However, there is a strenuous fight from a certain class against second inflation. The advocates of deflation insist that the solution of this problem is to bring down the general level of prices of all commodities to the basis of the prices of agricultural products. This will not enable the producer to pay the debts he incurred on the basis of higher prices on inflation. In fact, it will necessitate a lower level of living, as the cost of living has enormously increased since prewar times, taxation alone adding quite a burden of expense.

The CHAIRMAN. The trouble, as I understand it, always is that deflation of the currency increases the value of the dollar as compared with other products?

Mr. WANNAMAKER. Yes, sir; and brings wreck and ruin to agriculture.

The CHAIRMAN. Now then, he borrows his money when currency is inflated, and then he gets what would be really a 50-cent dollar, as compared with the dollar he has when he pays it. Now then, the currency is deflated, and he has to pay it by twice as much effort with his 50 per cent deflation.

Mr. WANNAMAKER. Let us go back to the deflation of 1873. In 1873 the deflation of currency, which it is admitted was brought on by artificial means, affected every section of America. However, it affected other sections far worse than it did my section, because we were already prostrated and were not able to obtain credits before the deflation, so that we were not caught between the upper and lower millstones, as the other sections of America were caught, i. e., it being necessary for them to discharge an inflated debt with a deflated dollar. In addition to this, the conditions in other sections of America, as a result of this deflation of 1873, were not as serious as they are to-day. Due to the fact that the deflation existing to-day was far more drastic than the deflation of 1873, it has absolutely annihilated prewar values. I can not find a record in history where deflation has been so ruthlessly enforced or where it has brought such wreck and ruin.

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It was the result of the horrors of deflation of 1873 that I was taught by actual experience to dread contraction of the currency, contraction of credits, artificial deflation, or whatever you may term it. It brought suffering to millions of innocent people. The various panics, since that time, in like manner, have reaped their harvest of wreck and ruin. It was for this reason that I used every effort possible to guard against being caught in an artificial deflation. Rumors reached my ears in 1919 that steps would be taken to enforce a policy of artificial deflation; that deflation, would not be permitted to come in an orderly manner based upon the law of supply and demand. I realized that in case the farmers of this Nation attempted to produce, and before they had had an opportunity to dispose of their products a deflation policy should be enforced, that it meant the certainty of wreck and ruin. I realized that the only safe course to pursue as an individual, the only safe course for the members of our association to pursue, and the only safe course for the farmers of the Nation and business resting upon agriculture to pursue would be to limit their activities to the lowest possible ebb in case such a policy was contemplated. It was for this reason that I called a convention in the early fall of 1919, which convention was attended by 3,000 representative farmers, merchants, bankers, and business men. This convention gave the most careful consideration to the question of deflation, and as a result resolutions were unanimously passed and forwarded to the President requesting definite information concerning the enforcement of such a policy. It was pointed out the effect the result would have upon the agricultural producers, and it was argued that if such a policy was contemplated it would be necessary to limit production, as it meant the absolute certainty of losses. A reply to these resolutions and letter to the President was made by the Secretary of the Treasury, Mr. David F. Houston. We were informed that the War Finance Corporation was created by Congress for the specific purpose of meeting the prewar conditions; that it had been furnished with a revolving fund of \$1,000,000,000, and that it would operate for one year after the cessation of hostilities; that it would encourage the exportation of American raw products.

In the meantime information was constantly sent out from Washington urging increased production. Propaganda in the press stated that there would be a pressing demand for American agricultural products. In the meantime the World Cotton Conference convened. This conference was attended by delegates from every cotton consuming country in the world. The need of enormously increased production of American cotton was urged. It was insisted over and over again that there would be a pressing demand for an enormously increased production of all staple agricultural products of America for the purpose of furnishing the world with these products, to enable them to rehabilitate; that the world was on the eve of intense commercial activity. The commodity side of the peace treaty gave serious consideration to the matter of sufficient supplies of staple agricultural products to meet the pressing demands of the world. The danger of a shortage of these supplies was emphasized. An effort was made at the commodity side of the peace conference to advocate cotton. At the World Cotton Conference it was urged that anything less than 15,000,000 bales of American cotton in 1920 would fail to meet the demands and that there would be a pressing demand for 15,000,000 bales of American cotton of the 1920 crop at profitable prices to the producers. It was as a result of all this information secured from the Secretary of the Treasury, information secured from the commodity side of the peace conference, and also especially as result of the concentrated effort put forth at the World Cotton Conference, that predetermined plans to curtail cotton production in 1920 were dropped, and that predetermined plans to call a conference of the agricultural producers of the Nation for the purpose of curtailing production in case the policy of artificial deflation was to be enforced was abandoned.

The producers were literally caught in a trap, regardless of the fact that they used every effort possible, as outlined, to protect themselves, and had it not been for the enforcement of this drastic artificial deflation policy, the distressing conditions existing to-day would not have prevailed. The statement made by those in favor of the deflation policy that this policy has prevented a panic fails to bring relief to the conditions. A leading banker recently stated that he had passed through every panic since 1873, and that he had rather pass through 10 panics than to pass through one artificial deflation policy like the one which has been enforced since 1920.

In the spring of 1920, after the crops had been planted, it was again rumored that plans were being arranged for the enforcement of the policy of deflation,

through restriction of exports and restriction of credits and currency. The farmers had already incurred the expense for producing the 1920 crop. It was impossible to stop production; impossible for the farmers to throw any safeguard around their business that would prevent them from incurring the losses which were inevitable in case such a policy should be enforced.

Our association immediately took steps to effect the sale of cotton through the War Finance Corporation, feeling that by so doing we would prevent the policy of restrictions of exports, as it would demonstrate the benefits to be secured by encouraging exports. As a result of a vast expenditure of efforts and the expenditure of a large amount of finances, we succeeded in perfecting the sale of 300,000 bales of cotton based at 40 cents per pound, low middling, f. o. b. concentration points in the South, this sale being made to the mills of Czechoslovakia. In the midst of the preparation of the papers for the completion of this transaction, which it was necessary to handle through the War Finance Corporation, the Secretary of the Treasury, D. F. Houston, arbitrarily suspended the operation of the War Finance Corporation. This being the only channel through which the sale could be made, it, of course, canceled this sale, and the cessation of the activities of the War Finance Corporation immediately resulted in the throttling of exports. I wrote a letter to the Secretary of the Treasury, protesting over the removal of the War Finance Corporation, pointing out to him that the enforcement of such a policy would bring wreck and ruin to agriculture and commerce of the Nation. The Secretary of the Treasury replied that any assistance on the part of the Government that would result in maintaining the present high level of prices, either by encouraging exports or credits, would be a conspiracy in restraint of trade; that we must return to prewar prices and that present prices would subsidize the American farmer; that he was opposed to any policy that would increase the indebtedness of the European countries to the American Nation or the people of America.

In a strenuous effort to prevent the enforcement of the artificial deflation policy, I called a conference in Washington in the late summer of 1920. This conference was attended by representatives of agriculture and business from practically every State in the Nation. We made an effort to secure a conference with the President. This was denied us on account of the illness of the President. We appeared before Secretary of the Treasury Houston, and the representatives from each and every State in the various lines of agriculture and industry urged the reinstatement of the War Finance Corporation and opposed the enforcement of the policy of deflation by restrictions of credits and currency. The disastrous effect that the enforcement of this policy was already having upon agriculture and business was strikingly pointed out. All efforts to induce the Secretary of the Treasury to reinstate the War Finance Corporation proved unavailing.

We next appeared before the Federal Reserve Board and used every effort possible to induce the board to reverse their policy of deflation. The serious effects of this policy upon the agriculture and business of the Nation was pointed out by the representatives from the various States. It was pointed out that the policy of deflation, unless reversed, would have a most disastrous effect upon the agriculture of the Nation. However, all efforts to induce the board to reverse their policy proved unavailing.

In the conferences with the Secretary of the Treasury and with the Federal Reserve Board we had the cooperation of leading Senators, who joined with us in our efforts to secure this greatly needed relief. It was pointed out that the request for the reinstatement of the War Finance Corporation and the reversal of the policy of artificial deflation was not made in behalf of any particular section, but in behalf of agriculture and business of the entire Nation; that the 1920 crops had been planted with the assurance that there would be a pressing demand for increased production; that the War Finance Corporation had been created by Congress for the specific purpose of operating for one year after the cessation of hostilities, and the removal of same by the Secretary of the Treasury and the enforcement of the policy of artificial deflation would bring wreck and ruin to agriculture and commerce, would destroy confidence, and would force upon the producers the necessity of selling their products only in a limited way and at prices far below the cost of production; that as 66 per cent of the American crop was exported, it would have a most disastrous effect upon cotton, as it would absolutely close the channel of exportation to the American cotton producers and would leave them with a restricted market. It was urged that in case such a policy was to be enforced

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that the enforcement of this policy should be postponed until after the marketing of the growing crops, so as to enable the producers and the various lines of business dependent upon production to protect themselves. All efforts to secure relief, however, proved absolutely unavailing.

When Congress convened we waged a Nation-wide campaign for the reinstatement of the War Finance Corporation, and the War Finance Corporation, as you of course know, was reinstated by action of Congress. The reinstatement was vetoed by the President, and the resolution reinstating the War Finance Corporation was then passed over the President's veto. However, no relief came until for quite some time after this, as the War Finance Corporation was not permitted to function actively for quite some time after its reinstatement.

If we had had stabilization of prices for agricultural products, as is contemplated in the Ladd bill or through some similar legislation, assuring the producers the cost of production, I do not believe that the removal of the War Finance Corporation and the policy of artificial deflation would have been enforced. The enforcement of this policy was absolutely brutal and unnecessary. Deflation should have come upon the law of supply and demand, and I am firmly convinced that a guaranty of the cost of production under stabilizing plans would have assured deflation based upon the law of supply and demand, and this would have meant that it would not have come until over a long period of years, instead of being enforced within a few months. However, the enforcement of this policy emphasizes more than ever the vital necessity of a stabilization of prices similar to the manner in which they were stabilized by the Australian Government. I am also thoroughly convinced that had it not been for the enforcement of this policy of artificial deflation and had we had in effect machinery for the stabilization of prices as referred to, that instead of being smothered to-day with a surplus of agricultural products on this side, while the people of Europe are suffering on account of the inability to secure these products, that no such condition would have existed, and that the world did need 15,000,000 bales of cotton, and would have consumed every pound of it at profitable prices to the producers had it not been for the removal of the War Finance Corporation and the enforcement of the policy of deflation through restrictions of credits and currency, and had it not been for an unlimited amount of propaganda through the newspapers insisting that we must return to prewar prices, which policy was responsible for the creation of the most disastrous buyers' panic that has ever existed. We have had no buyers' strike, but a buyers' panic. It was as result of the enforcement of this policy that the cancellation of orders for goods already contracted for exceeded all records. It was estimated that the cancellation of orders and repudiation of contracts in America amounted to around five billions of dollars. It was realized that lower prices were inevitable under the enforcement of this policy, hence they repudiated contracts, canceled orders, and refused to buy. The most splendid wave of business activity this country ever saw was wrecked by economic blundering on the part of the Federal Reserve Board.

Senator PAGE. I have not gotten any expression from you yet, Mr. Wannamaker, as to what probable effect the stabilizing of prices would have on the Federal Treasury. Can you not give us a round estimate as to what you believe this will probably mean in the way of direct taxation?

Mr. WANNAMAKER. That question, as I understand it, involves the probable amount of funds the Government would have to provide, or make provision for, in case a minimum price was fixed on certain staple farm products and the buying trade was not sufficient to absorb the total of such products offered on the markets by the farmers. This is a very pertinent inquiry, and must necessarily be considered in the light of all the facts which can be based upon statistics as accurately as possible. I am not in position to furnish data upon the crops of corn and wheat, but I will undertake to give as full information as I have been able to gather in regard to the liability which the Government would be likely to assume by providing a fixed minimum price on the present unsold stocks of American cotton held in this country.

In discussing this question, I would like to furnish you first with the estimated cost of producing the 1920 and 1921 crops of cotton and the estimated losses the growers have sustained, and then pass on to the question of stabilization in answer to the inquiry of Senator Page.

In round numbers, there was produced in the 14 cotton States last year 8,000,000 bales of cotton. Estimated value of the crop, basis middling, at 15

cents, amounts to \$555,000,000. The above estimate allows 15 cents for 5,000,000 bales and an average of 12 cents for 3,000,000 bales of lower grades. The indebtedness on the farmers for growing 8,000,000 bales of cotton, at an average cost of 31 cents per pound, would aggregate \$1,240,000,000, which indicates to the more than 1,000,000 growers a net loss of \$685,000,000, or 123.42 per cent.

The cost of producing the 1920 crop of 13,270,000 bales was estimated by the Government to be 37 cents per pound, or \$2,322,250,000. The price received by the growers for that crop as a result of drastic deflation in the market values of cotton after the crop had been harvested will not net to them exceeding 10 cents per pound, or \$50 per bale; 13,270,000 bales at 10 cents per pound, \$663,500,000. This would indicate a net loss on the 1920 crop of \$1,658,750,000, or approximately a loss of 240 per cent.

Summary.

Cost of production:

Cost of growing 13,270,000 bales of cotton, 1920-----	\$2,322,250,000
Cost of growing 8,000,000 bales of cotton, 1921-----	1,240,000,000

Total aggregated cost, two years----- 3,562,250,000

Price received for two crops:

13,270,000 bales at average net price 10 cents-----	663,500,000
8,000,000 bales at 15 cents middling basis-----	555,000,000

Total received for two crops----- 1,218,500,000

Total cost producing 1920 and 1921 crops----- 3,562,250,000

Total price received by growers 1920 and 1921 crops----- 1,218,500,000

Total net loss sustained by growers----- 2,343,750,000

I have assumed in tabulating the above figures that if stabilization of the prices of farm products, including cotton, is not undertaken by governmental cooperation the remnant of cotton held by the farmers from the 1920 and 1921 production will sell at the average values of above stated.

The estimated net losses, amounting to \$2,343,750,000, as shown on the two crops of 1920 and 1921, as a result of the extreme deflation in market values, is quite largely embraced in past-due obligations of cotton growers to merchants, bankers, and fertilizer companies who advanced supplies or money to the growers during the two years named to be used in the production of cotton. It must be quite patent to any man that without stabilization of the market values of farm products at prices which will pay the cost of production plus a reasonable profit to the growers, that not only must production be largely curtailed but that these enormous obligations can never be liquidated except through bankruptcy proceedings. Even in the event of stabilization there must be created an emergency system of credit by the Government to provide for the extension of existing indebtedness by farmers over a period of years, which will enable them to gradually liquidate their obligations. In the case of the cotton farmers, it will require at least a governmental loan of \$1,000,000,000, to be returned in five equal annual installments of \$200,000,000 and accrued interest, if these frozen credits of bankers and merchants are to be released from their holdings and business allowed to resume on a normal basis. If this is not done in some satisfactory method of adjustment by the Government, the continued wreckage of banks and merchants and bankruptcies of farmers will be more pronounced and extensive in 1922 than the unparalleled number of failures which occurred in 1921.

The probable amount of money the Government might have to advance to maintain its guaranteed minimum price on the stabilization of the market values of, say cotton, corn, and wheat, is a very pertinent question and you must be necessarily advised upon this matter in reach'ng any defin'e decision for stabilizing market values for these crops by governmental control.

I shall confine my treatment of this phase of the proposition to cotton alone, as stat'stcs regarding corn and wheat can be more accurately obtained from the Western States. To ascertain the financial responsibility of the Government in fixing a minimum price on the unsold stocks of American cotton now held for consumption it is necessary to show the amount of such stocks and monthly rate of domestic consumpt'on and exports at the present time. In this statement I shall, confine my statist's to cotton of such grade and staple

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as is used for commercial spinning purposes, and eliminate from the calculations such cotton as linters, bollies, and snaps.

According to the figures of the United States Census Bureau, there was on hand in stocks of merchantable spinning cotton 7,000,000 bales, August 1, 1921. The crop of 1921 amounted to 8,000,000 bales, making a grand total of American cotton for the cotton season, from August 1, 1921, to July 31, 1922, of 15,000,000 bales. Domestic consumption and exports of raw American cotton have averaged 1,100,000 bales monthly since August 1 to December 31, 1921, or a total of 5,500,000 bales for the five months' period. There are seven additional months yet left and if the same rate of consumption continues there will be consumed in American mills and exported, from January 1 to July 31, 7,700,000 bales. This would take from the total stocks of American cotton, as shown to be 15,000,000 bales, an amount of 13,200,000 bales, leaving in the available stocks at the end of the cotton season, July 31, 1,800,000 bales.

If we figure a minimum fixed price at 25 cents per pound, and the Government was forced to buy up that portion of the crop temporarily, it would involve an expenditure of \$225,000,000. But it must be understood that the cotton mills of the world must have available to their needs at least 4,000,000 bales in the carry-over each year, and this necessary demand would readily absorb the 1,800,000 bales as above referred to. The establishment of a fixed minimum price on cotton by the Government would have the effect of immediately stimulating the purchase of cotton by the mills and for cotton goods by the trade. The present hand-to-mouth purchase of cotton by spinners is due to a continuation of the buyer's panic and a fear that prices will go lower. The same sentiment controls the action of jobbers, wholesalers, and retail merchants handling cotton goods. Spinners have demanded the stabilization of the price of cotton for many years, and with the price definitely fixed they can operate their mills without hazard, and the cotton goods trade can go forward knowing what to depend upon. The probabilities are that under the present relationship of limited supplies of raw cotton to consumption, that the Government would not be forced to purchase a single bale of cotton this season in the establishment of a policy for fixing the price of cotton upon a fair and reasonable basis to the farmers.

The Government has for years stabilized the selling market values of manufactured goods by a protective tariff in favor of American manufacturers, and which to all intents and purposes serves the same ends as the stabilizing of staple farm values by fixing a minimum price of cost on the same. If there be justification for stabilizing the prices of manufactured goods in this country through the imposition of a high protective tariff against all imports of like character, clearly the primary wealth producers of the Nation are entitled to equal protection at the hands of the Government, no matter what the method pursued, so long as it be legal and equitable.

In the stabilization of the market value of cotton by fixing a minimum price, it would also be necessary to establish a loan value based upon grade and staple, stored and insured, and the lowest rate of interest possible on loans and cost of handling the transactions. With a minimum price fixed and a loan value established, the Government would be relieved of any necessity for buying any cotton outright.

Suppose the loan value were fixed at 20 cents per pound, and one-half of 1 per cent charged for handling each loan transaction. What would result? The spot market for cotton would at once advance to 25 cents per pound as a minimum price. The mills would come into the market promptly as purchasers because they would no longer fear that prices would be forced below that figure by speculative manipulation. There would be practically no cotton offered to the Government for sale, and certainly none would be offered in the local markets by farmers at a price less than the minimum fixed by the Government. Mills in this country and Europe would operate on a speed-up basis. Jobbers and merchants would begin to lay in larger supplies of the finished goods. The purchasing power of the farmers would be practically doubled and business would revive in all sections. The same conditions would apply to the grain and live-stock belts of the West. An immediate impetus would be given to industry all over the Nation and the millions of unemployed would soon be happily at work and carrying a full dinner pail. All these things the Government could easily do and bring about immediate relief to the entire Nation, and lay the foundation for increased production in 1922. A bankrupt country is to be deplored. A happy, prosperous country should at all times be the predominating goal of good government. The owners could be depended

upon to feed the cotton to market as the mills required the staple for domestic consumption or export.

This has been the experience in Australia and Egypt, where the Governments of those countries prevented the depression of deflation by stabilizing market values of leading staple farm products and fixing prices of the same at cost plus a small profit. Loan values were fixed, the rate of interest placed at 4 per cent per annum, and one-half of 1 per cent charged for handling each transaction. In Australia the farmers continue to be prosperous and all lines of business active.

Without prompt stabilization by minimum price fixing, there will be continued intense depression in this country. With stabilization of values, there will be a steady return to business normalcy and a reestablishment of the purchasing and debt paying power of the farmers through increased production of staple farm products.

Recapitulation—Stocks of American cotton for season 1921-22.

	Bales.
Carryover Aug. 1, 1921-----	7,000,000
Crop of 1921-----	<u>8,000,000</u>
 Total available stocks-----	 <u>15,000,000</u>
 Domestic consumption and exports to Jan. 1, 1922-----	 5,500,000
Estimated takings to July 31, 1922-----	 7,700,000
 Total consumption-----	 13,200,000
Estimated spinnable cotton left in stocks Aug. 1-----	1,800,000

Total cost to Government if 1,800,000 bales must be purchased, at, say, a fixed price of 25 cents per pound, \$225,000,000.

Experience in foreign countries where the price fixing of staple farm products has been put into effect and force by their respective Governments has been that the cause of such action was felt justified by the buying trade and that the Governments have not been forced to go into the markets as buyers to protect their guaranty. The same thing would be true in this country.

Senator PAGE. The bill names 18 cents per pound, and you say 31 cents per pound, to produce it. Are you going to take 31 cents or 18 cents as the cost to stabilize it?

Mr. WANNAMAKER. The Government can ascertain through the statistics gathered by the United States Department of Agriculture as to the average cost of growing cotton per pound in 1921. This specific information will have to be gathered on the cost of production each year for the period of years provided for the life of the pending bill if its terms should be enacted into law. The arbitrary figure of 18 cents per pound named in the bill is far below the cost of producing cotton in 1921, and for that reason it would be totally unfair to the cotton growers for the Government to fix that figure as the selling price for cotton under a law to stabilize the value of raw cotton. As before stated, the only equitable course for the Government to pursue in a case of this kind is to ascertain as accurately as possible, by the most reliable data obtainable, the average bulk-line cost of growing cotton in 1921, add to that a small profit of, say, 2 cents per pound, and adopt that figure as the minimum fixed price as a basis upon which to stabilize the current market value of the staple.

It is not my purpose to criticize the bill as drawn by Senator Ladd, but it appears to me that its provisions might be put into effective operation by the machinery of the War Finance Corporation, without entailing the necessity and extra expense of creating a grain corporation, as provided in the bill. The imperative demand of the hour is quick action in the form of substantial legislation which will bring quick relief to the farmers of the Nation. A very serious emergency exists and a crisis can only be averted by prompt and effective governmental action which will at once have the effect of stabilizing the market values of staple farm products through the fixing and maintenance of a minimum price which will be fair and equitable to the growers. There would be no paternalism on the part of the Government in the enforcement of fair and reasonable prices for staple agricultural products under existing conditions, which it is beyond the power of farmers to control. If the Government can and does maintain a war-time maximum freight rate on railway traffic, if it can and did maintain a maximum war-time price on wheat, it can

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also, if it will, place a minimum price on staple farm products to preserve the basic industry of the Nation from annihilation which is now so rapidly taking place throughout the agricultural sections.

You can take my figures as an example. The commission will have to decide on the cost and the minimum price. They would have to agree as to what price you are going to pay as cost, and whether you are going to fix cost as the minimum price. England did not take that. She took as her price cost plus a profit.

If you establish it as a temporary war expedient, here is what is going to happen: This proposition is going to exist only until the reparation of Germany is established, until we have peace established abroad. It is going to hasten peace abroad.

As a second proposition, it is going to result in immediate reestablishment of confidence. It is going to result in establishment of markets, because the minute you establish a minimum price, it means that cotton can not be bought for less than that price. If you set 25 cents a pound, if you agree on that, cotton will not sell for less than 25 cents a pound, and the bankers will start to liquidate at that figure. There is no cotton sold at anywhere near the cost of production to-day. The same way with your wheat; the same way with corn. If you make it a permanent institution—

The CHAIRMAN. Right there, before you leave that, in further answer to Senator Page's question, it is your idea that the Government would not have to buy any cotton?

Mr. WANNAMAKER. It would have to buy very little. Most assuredly the farmers would not sell the products on which a minimum price had been named for less than the price they would obtain from the Government through the machinery provided. In fact, they would refuse to sell through the regular channels of trade for less than the price they could obtain from governmental sources. The minimum price named by the Government would be a protection not alone to the producers, but practically every legitimate line of business, and it would bring tremendous indirect benefits; it would reestablish confidence; it would restore the debt paying and purchasing power of the farmers, and in addition to the Government naming a minimum price and providing the machinery whereby these prices could be maintained, the exchanges should be prohibited from permitting sales on the exchange for a lower figure than the minimum price named by the Government. The law now forbids operation on the exchanges at a greater change than 200 points per day. Why not pass a law forbidding operation on the exchange at a lower figure than the cost price which has been named through governmental machinery?

This would have a wonderful stabilizing effect. Cotton, stored in warehouses, fully insured, is one of the safest of all securities for banks; it is non-perishable and offers a liquid asset. The market is forced down so rapidly under the manipulations of the exchanges that on cotton and other staple crops the banks will have loaned more than the market value, although the original loan was for only 60 per cent. This method affords a powerful instrument to the gamblers as the prices are forced down on the exchange. Bankers, brokers, and commission merchants are compelled to call for margins on spot cotton. If the margin can not be responded to, the cotton and other staple crops are forced upon the market and this tends to force prices down. This gives a great advantage to the gambler and manipulator. By raiding the market he undermines it and is assisted in his operations by the calls for margins from legitimate lines of trade. I most earnestly urge that your committee give careful consideration to the preparation of an amendment to the laws now governing the various exchanges, for the purpose of establishing a minimum price, below which prices on staple products, including cotton, corn, and wheat, can not be forced. This price should certainly represent the cost of production, the bread line. Such a law would be a protection to the consumer as well as to the producer, and should be welcomed not only by the producer and consumer but by every legitimate line of business.

The CHAIRMAN. Let me ask you this question: If the price of cotton, wheat, and corn were stabilized and this commission was to establish and announce the price of corn for a certain year, I presume your idea would be that the Government would only be obligated to buy corn produced in the United States?

Mr. WANNAMAKER. Only; by all means.

The CHAIRMAN. And you would have to have some provision of law by which corn could not be imported, would you not?

Mr. WANNAMAKER. Yes. We could arrange that by having a prohibitive tariff against corn, or you could do this—

Senator HEFLIN. Have an embargo against it?

Mr. WANNAMAKER. An embargo against it.

The CHAIRMAN. There would have to be some such provision of law, or the corn would come in?

Senator PAGE. We would have to buy the world's product, in other words, unless we established an embargo, and that would ruin any government.

Mr. WANNAMAKER. No, sir. I remember this in Australia. In Australia, on wool, I remember that specifically. They took up at that time the value of wool in Australia. They would not sell a pound except that raised in Australia. The same thing with the Egyptian cotton products. It was claimed that India would take their product and ship it into Egypt. They raised the same point there.

(See letter of Feb. 13, 1922, appended to Mr. Wannamaker's statement.)

Senator HARRELD. The foreign product would be shipped into this country, unless there was an embargo against it; there is no question about that.

Mr. WANNAMAKER. Why didn't they do that in Australia?

Senator HARRELD. Because it does not pay to ship it.

Mr. WANNAMAKER: What about the Egyptian cotton?

Senator HARRELD. The same way. It might be different here. The embargo would absolutely follow. There is no question about it, absolutely.

Senator HEFLIN. It ought to follow, if it is necessary to prevent the destruction of agriculture in the United States.

Mr. WANNAMAKER. That is just as certain as I am standing here. There should be stabilization of prices, providing the machinery and finances speedily, to assure the producers at least the cost of production plus a reasonable profit. In addition to this, on account of the perpendicular drop in prices since May, 1920, not only the producer, but the banker, the merchant, fertilizer people, and various lines of industry are burdened with debts incurred for the purpose of producing the crops of 1920 and 1921. Stabilization of debts by providing the necessary machinery wherewith an extension of time for the payment of these debts can be secured, extending over a period of from 5 to 10 years, at a very low rate of interest, is absolutely necessary. This is nothing new. Certain European countries to-day provide the machinery and financial means to protect the commercial institutions and preventing them from being destroyed through bankruptcy, and most assuredly this great Nation should protect its most valuable industry—agriculture.

Neither the farmers nor the various lines of industry extending them' credits, are responsible for the predicament in which they have been caught. They were urged to increase production; that there would be a pressing demand for agricultural products for the purpose of rehabilitating and for the purpose of meeting the changed conditions growing out of the World War, which conditions meant an intense commercial activity. The farmers are convinced that the Government is responsible for the predicament in which they have been caught; first, that they urged them to increase production; second, after the crops were planted a drastic policy of artificial deflation was enforced by the banking machinery of the Government, the Federal reserve system, thus destroying values, destroying markets and the debt-paying and purchasing power of the people; that it was as a result of this policy that markets, both at home and abroad were destroyed. They are thoroughly convinced that had it not been for the policy of deflation enforced, as outlined above, that these distressing conditions would never have occurred, and their judgment is confirmed by many of the leading financiers and experts. The losses which have been forced upon the farmers, as a result of this deflation policy, for the crops of 1920 and 1921, are stupendous. As a result, they are burdened with debts which will require unborn generations to discharge.

Senator HARRELD. I would like to ask you one question. You make assertion that the percentage is large, but I would like to know if you have any figures to show how much the farmers owe, based on their crops the last year or two years, and then how much that figured on their former production.

Mr. WANNAMAKER. I can give you this much, Senator. First, the total market value of all crops produced in the United States in 1921 is estimated at \$4,430,742,000; estimated value of all crops in 1920, \$10,197,092,000; estimated five-year production, 1915-1919, \$11,887,577,000.

From the above figures it will be noted that the decrease in market values of the country's farm products in 1921 was \$3,755,350,000 less than the total

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values of the 1920 crops, or a decrease of 37 per cent. The loss on 1921 crops as compared with the average total values of all crops for the 5-year period 1915-1919, amounted to \$5,456,835,000, or a decrease of 46 per cent. These estimates give a graphic realization of the tremendous losses sustained by the farmers of the Nation as a result of the widespread drastic deflation policy which created a general world-wide buyer's panic, followed by stagnated markets. If we assume that farmers received cost plus an average profit of 10 per cent on the total average productions for the 5-year period 1915-1919, or a gross profit each year during that period of \$1,188,757,700, this would indicate the average cost level during the period 1915-1919 to have been \$10,698,819,000; it would indicate that the net losses sustained in 1921 amounted to \$4,268,077,300, or practically a net loss of 40 per cent on the 1921 year's farming operations.

Recapitulation.

Estimated market value all crops 1921-----	\$6,430,742,000
Estimated market value all crops 1920-----	10,197,092,000
Estimated average market value all crops 1915-1919-----	11,887,577,000

Cost of production:

Estimated cost production 1921 crops-----	10,698,819,300
Estimated market value all 1921 crops-----	6,430,742,000

Net loss on production 40 per cent, or-----	4,268,077,300
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It will be noted in these statistics that while the total market value of all products in 1920 was only \$1,690,485,000 less than the average annual total market values of all crops produced during the 5-year period 1915-1919, it must be borne in mind that the 1920 crops were grown and harvested at the very peak of inflated cost of labor and supplies. This extraordinary expense in production more than absorbed the estimated 10 per cent profit figured on the gross annual market values of the 1915-1919 period, and the actual facts will show the net losses by farmers on the 1920 crop to have largely exceeded \$1,690,485,000. The losses on the depreciated prices for raw agricultural products in 1920 more than absorbed the surplus cash operating capital of farmers and forced them to secure credits for 1921 operations and to get extensions of obligations contracted for producing the 1920 crops. It is conservative, therefore, to place the net losses of American farmers during 1920 and 1921 as follows:

Net losses on production 1920 crops-----	\$1,700,000,000
Net losses on production 1921 crops-----	4,300,000,000
Total net loss two years-----	6,000,000,000

This stupendous gross loss, due to the reasons already outlined, is represented in the form of notes, mortgages, and open accounts for supplies and money advanced to farmers by bankers and merchants, and which are largely being carried by these creditors as frozen loans or unpaid advances. These obligations can not be voluntarily liquidated by farmers in their present helpless financial condition. Creditors can not force payment by suit, because markets for all realty and personal property are in such a state of utter stagnation that property sold at public outcry will, in many instances, not pay the cost of foreclosure and court costs. Furthermore, every farmer who owns a homestead will be forced to take the bankrupt act if creditors demand payment by legal proceedings, in order that their families may retain a roof over their heads and enough land to at least produce the actual necessities of human existence.

The solution of this vital economic problem must be undertaken by the Government if relief from existing unbearable conditions is to be had. Governmental relief must be undertaken by the prompt employment of two methods, both of which must be made effective and determined. First, by stabilization of the market values of leading staple farm products by the fixing of a definite minimum selling price based upon actual cost of production, plus an equitable, reasonable profit for the growers. Second, the organization of financial machinery by the Government which will provide loans to farmers over a series of years at a very low rate of interest, so as to enable them to liquidate existing indebtedness and give them opportunity to revive their farming operations on a scale of intensified production to meet the needs of the Nation and the

demands of foreign countries for American surplus raw agricultural products.

The machinery for providing short-term 5 or 10 year loans or longer to the farmers might well be provided through the present established Federal farm land banks located in various sections of the Nation, or through the machinery of the War Finance Corporation. The rate of interest on these emergency short-term loans should not exceed 4 per cent per annum and the cost of handling each transaction not in excess of one-half of 1 per cent.

The local bankers and merchants as creditors of the farmers can not continue to carry these past-due loans until their gradual final liquidation in the future, and at the same time meet the current demands upon their business for new loans or commercial business. The load is too heavy for local communities, and the farmers are totally unable to liquidate them under existing conditions. The Government alone can assume the responsibility, and it is nothing short of the duty of the Government to render relief to the vast wealth producers of the Nation when circumstances arise over which the farmers have no control.

The purchasing and debt-paying powers of the farmers are below zero. They can not rehabilitate themselves without Federal aid. Letters are daily reaching me from farmers, merchants, and local bankers located in all sections of the United States, positively asserting that Federal stabilization of market values of farm products by fixing a minimum sale value, and stabilizing farmers' present indebtedness by from 5 to 10 year governmental loans, is the only solution of the present serious situation to prevent a crisis.

The CHAIRMAN. Do you know how much wool Australia has to buy?

Mr. WANNAMAKER. Senator Pearce, of Australia, is in Washington. He is thoroughly posted and is a recognized authority on this question. He can tell you all about the operation of the law of the stabilization of prices in Australia and what a wonderful beneficial effect it has had upon agriculture there. I wish he could appear before you.

The CHAIRMAN. We would like to have him come before the committee.

Senator CAPPER. I had quite a long talk with Senator Pearce the other day, and he is a very intelligent man, and I got some very interesting information from him on this whole subject.

The CHAIRMAN. Mr. Wannamaker, will you see Mr. Pearce to-day?

Mr. WANNAMAKER. Yes, sir.

The CHAIRMAN. We have to adjourn at 12, but we can meet to-morrow. Would you act as the instrument of this committee and invite him to come here to-morrow?

Mr. WANNAMAKER. Yes, sir.

The CHAIRMAN. Let it be understood before any of the Senators leave that we will meet to-morrow at 10 o'clock, and we will try to get Senator Pearce here.

Mr. HEFLIN. Following the suggestion of Senator Harrel a while ago, in 1920 10 bales of cotton at 40 cents a pound, or \$200 a bale, paid \$2,000 worth of debts. In the fall of 1920, after the deflation policy put on by the Federal Reserve Board, the price of cotton went down to \$45 a bale. Ten bales of cotton paid \$450 worth of debts. Forty bales paid \$1,800 worth of the \$2,000 debt that that cotton represented when it was 40 cents a pound. That gives you an idea. It would take four crops at that rate to pay what the one crop had paid in 1920, before the deflation policy went in, and it leaves him owing \$200 now.

Senator HARREL. My question does not involve that. What I want to know is the percentage of value at current prices, or last year, which that crop bore to debts.

Mr. WANNAMAKER. Yes; I get your idea. Senators, just before you leave, don't get the impression that I have advised the United States to buy up the entire cotton crop and corn and wheat crops. It would not be sound. It would not be economical. I would not stand for it. But I don't believe you would have to buy except a very small amount.

Senator HEFLIN. Your position is that if the Government should say that this cotton crop, costing so much to produce, shall not sell below such a figure, the buying world would pay that figure and above it?

Mr. WANNAMAKER. Yes, sir.

Senator HEFLIN. Even so, would the Government have to pay the difference between what it cost and what it would sell for?

Mr. WANNAMAKER. As I understand the theory of it the Government would buy it; then it would hold it, and fix its own price on it. If the Government had the whole crop it would have a monopoly on it, and I suppose you would

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have something to say about the price. We made this year practically 8,000,000 bales of cotton. We are handling 2,000,000 bales in cooperative marketing associations. If the Government during this year had bought 500,000 bales of cotton, for the purpose of holding that cotton it would not show a loss. All they have to do is to hold it and say the minimum price of the cotton should be 25 cents or 30 cents. And, besides, England has had no loss as against the Egyptian cotton crop.

Senator HARRELD. I have heard it said that the farmers were induced this past year to hold their cotton, by the bankers.

Mr. WANNAMAKER. I am very glad you asked this question, as it will afford me an opportunity of giving you first-hand information on this subject. In June or July, 1920, I wrote to Gov. Harding, of the Federal Reserve Board, that there was very little demand for cotton; that only the best grades could be sold in a limited way, and that there was practically no demand for the lower grades, and that if the farmers attempted to force even the best grades upon the market it would result in driving prices down. As a result of the removal of the War Finance Corporation, to which I have referred, foreign markets were practically closed, and as we export 66 per cent of our cotton you can readily see the predicament in which the cotton producers have been placed. Of course I do not mean to state that cotton was not moving through the ports, but the removal of the War Finance Corporation had had a disastrous effect upon the amount of cotton that would have been exported.

I felt convinced that if the policy of artificial deflation, through restrictions of credits and currency, was enforced, that the result would be appalling; that it would bring fearful losses upon the cotton producers; in fact, upon the entire agricultural and commercial fabric of the Nation. I was very anxious to know what policy the Federal Reserve Board would pursue concerning loans on cotton, as I realized that it would be absolutely necessary for the banks to continue to carry cotton, and that in addition to this it would be necessary for them to increase their loans to the farmers as soon as the new crop reached the market. That unless this was done it meant the absolute certainty of a crash in cotton prices.

In reply to my letter Gov. Harding wrote and urged that we sell our best grade cotton. He stated that cotton was that day selling at 43 cents a pound, basis middling, the highest price it had yet reached. He stated that if the farmers would sell their best grades it would enable them to carry their off-grades and also render assistance to the bankers. As a result of the information I received from Gov. Harding I used strenuous efforts to perfect sales of cotton. I took the matter up with friends in the manufacturing world. All efforts, however, to induce them to buy, except on a "from-hand-to-mouth" basis, proved unavailing. In fact many of the manufacturers informed me that under no condition would they buy as long as the Federal Reserve continued its policy; that to buy as long as this policy was in force meant the certainty of shouldering additional losses, as the enforcement of this policy could mean but one thing—lower prices.

I wrote Gov. Harding very fully and laid before him the information I secured from the manufacturers; that they were refusing to buy, except on a "from-hand-to-mouth" basis. All efforts to secure relief, however, through the Federal reserve system, along this line, proved unavailing. My files are very complete—too voluminous to burden this hearing with same. However, they plainly show that every known effort was made, without success, to secure the relief to which we were justly entitled, and had the banks forced the farmers to sell their cotton, cotton would have practically gone without a bidder. Some of the best experts in the cotton trade make the statement that it is only as result of the holding of cotton that conditions to-day are not far more serious; that had cotton been forced upon the market the result upon the financial institutions and general business would have indeed been appalling.

The people who got the highest price for the cotton they sold, only got it because cotton was being held, and because the banks were not crucifying the producers and forcing them to sell on a market when there was not sufficient demand to meet the supply. The price of cotton dropped from 43 cents in the summer of 1920 to around 12 cents in the fall of 1921, regardless of the fact that cotton was not forced upon the market. Had the producers not been encouraged and assisted to hold their cotton, to what price would it have gone? and what would have been the effect, God alone knows. Of one thing I am convinced, and that is that instead of considering means for preventing a calamity to-day, we

would be treating the most disastrous calamity that has ever befallen the agriculture and business of the Nation, if cotton had been forced upon the market.

I wish to call your attention to the result of the enforcement of the policy of artificial deflation by the Federal Reserve Board. This policy was started in May, 1920. (Refer to exhibit attached, being table prepared by Hon. John Skelton Williams, former Comptroller of the Currency, showing the average monthly prices of leading agricultural, mining, and manufacturing products during the period of great deflation, from May, 1920, to August, 1921, inclusive, the figures having been compiled from the official monthly issues of the Federal reserve bulletins published by the Federal Reserve Board.)

Senator HARRELD. The reason I asked that was that the farmers of my section of the country, some of them, claim that they have got their cotton on hand because bankers had advised them not to turn it over.

Mr. WANNAMAKER. The bankers had to do that as a matter of self preservation. If they had told them to sell, it would have broken the market to pieces. There was no avoiding it.

Senator HARRELD. Of course, I am only seeking information.

Mr. WANNAMAKER. I understand. I am awfully glad you asked me that question.

Senator PAGE. Senator Harreld, let me ask, right on that point, suppose cotton is 15 cents a pound, and we should make a price of 20 cents, say we will take all the cotton at 20 cents, have you any idea that we won't have it all to buy right off at once?

Senator HARRELD. You have got to buy every ounce of that. I will tell you that.

Mr. WANNAMAKER. If you establish the commission to-day, I would not advise you to make the price 30 cents. Although the farmers are carrying cotton from previous years that cost them as high as 37½ cents per pound basis middling to produce same, as shown by the Government reports for 1920, this cost being, of course, greatly added to by the carrying charges. I can not think, however, that a minimum price of less than 25 cents per pound basis middling would be recommended. I recommend this price, which, as shown, is much below the cost of production. However, I base it upon the price to which the commodities necessary for the production of cotton are selling to-day. In other words, this would be what a merchant would call the replacement price of his goods, and not cost price, and I am suggesting 25 cents, based upon the theory that the minimum price is to be cost, without making any allowance whatever for a reasonable profit to the producer. If every pound of cotton in the South were sold to-day at 25 cents basis middling, it would still leave the producers burdened with an enormous debt which they incurred for the production of their crops for the last several years.

Never was there a time when more strenuous efforts were used to encourage increased production, and never was there a time in the history of the agriculture of the Nation when more concentrated efforts were made to ascertain if any steps would be taken that would adversely affect the price of cotton before the 1920 crop was planted. Every inducement was offered for increased production and every assurance given that there would be a demand at profitable prices, until after the crops were planted.

The first intimation secured concerning the enforcement of this deflation policy was in the spring of 1920 when Secretary Houston, in reply to my direct inquiry as to the reasons for the removal of the War Finance Corporation, thus breaking the faith of the American farmers, when I pointed out that the War Finance Corporation was to operate for one year after the cessation of hostilities, and that the farmers had been given this assurance before the 1920 crop was planted; that the removal of same would bring wreck and ruin to agricultural and commercial industries of the country, he replied in part as follows: "I do not think it would be wise for the Government to subsidize our producers and to maintain or increase the high level of prices here by stimulating sales to European countries which find themselves unable or unwilling to make payment for their purchases."

He suspended the War Finance Corporation in defiance of expressed will on the part of Congress and positively refused to reinstate same. In an effort to get him to reinstate the corporation, a conference with the Secretary of the Treasury and the Federal reserve board was held in the early fall of 1920. This conference was attended by the representatives of twenty-two national farmers' organizations from all parts of the Nation, representatives of all

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branches of farming, dairying, live-stock producing, and many other lines of business, representing practically every State in the Union.

At this conference, I read to the Secretary of the Treasury, in the presence of 60 representatives, representing practically every State in the Nation, the letters he had written me officially, which were in line with those statements, in which letters he stated that the policy of the Government was opposed to the exportation of American products, as it would result in increasing the indebtedness of Europe to the Government of America. I also read a letter from him in which he quoted a prominent Government official as saying that prices of agricultural products and commodities must go lower. I pointed out that the removal of the War Finance Corporation, after the producer had planted his crop with the understanding that the War Finance Corporation would function for one year after the ratification of peace and with the further understanding that there was urgent demand for American agricultural products in Europe for the purpose of enabling them to rehabilitate and start to pay their enormous war debts, had closed the market to 66 per cent of the American crop and would bring wreck and ruin to American agriculture and commerce. I pointed out to Secretary Houston at that time, and again reiterated my previous statement, that this policy of drastic artificial deflation would have the same effect that it had had in all of the records of history, that it would result in suicide, insanity, and bankruptcy, and in bringing suffering to millions of innocent people. I pointed out that we had the opportunity of world trade; that as a result of the five years of the World War sociological and economic changes which probably would not have developed in 500 years of natural evolution had taken place; that these changes would compel the acceptance of and adjustment to an elevated standard of values as a permanent inheritance.

He expressed himself, however, as determined to adhere to the policy of deflation.

All efforts to induce him to reinstate the War Finance Corporation proved unavailing. He stated that the Government would take no action that would influence, directly or indirectly, the maintenance of the then existing prices, nor would he permit the functioning of the War Finance Corporation. All efforts to gain relief, cooperation, or assistance from the Secretary of the Treasury failed, he taking the position that agricultural products should be marketed as soon as harvested; that orderly marketing meant immediate sales; that holding tended to interfere with orderly business and commerce; that the producer's business was to produce.

Regardless of every assurance that assistance was not desired for the purpose of holding for speculation, but only for the purpose of orderly marketing and harvesting, he insisted that the producers should not expect assistance for this purpose, even through existing financial machinery; that if they would harvest and sell their products they would be able to finance same without assistance.

The Secretary of the Treasury stated emphatically that prices must go lower; that we must return to prewar conditions, although earlier in the meeting he had strenuously denied that he had issued such statements. In addition to this, the Secretary of the Treasury severely criticized the efforts to help the agricultural producers, regardless of the fact that it had been explained that there was no market for agricultural products except in a limited way at far below the cost of production; that confidence had been destroyed as a result of the policy enforced in Washington.

The Secretary of the Treasury insisted that the only course open was to dispose of the products, accept losses, and redouble our efforts in production with a view of recovering the losses so incurred; that lower prices were a necessity and certainty; that inflation could not remain.

An effort to hold a conference with the President was declined on account of the sickness of the President. An effort to hold a conference with his Cabinet proved unavailing. Conferences were held with the Federal Reserve Board, a plea being made by a personal representative of each line of agriculture and live-stock raising for a lowering of the rediscount rate and an immediate reversal of the policy of contraction of credits and currency. The plea put forth by the various representatives was indorsed by Senators and Congressmen. The condition of the agricultural producer, being without markets except in a limited way at less than one-third the cost of production, was pointed out. The gold reserve justifying additional circulation and credits was referred to. The earnings of the Federal reserve were cited. All efforts to secure relief again failed.

In my testimony before the Joint Agricultural Commission I showed that the world's debts have increased from \$43,106,495,000 in 1913, approximately to \$300,000,000,000 in 1920, or over 600 per cent, while the great majority of nations are still finding it necessary to increase their outstanding obligations to provide funds necessary to meet their budget requirements. The debts of the United States Government have increased from \$1,028,564,000 to \$24,062,510,000 in a similar period, which includes moneys due from foreign governments. The effect of this added burden is expressed in taxation, either direct or indirect, in the form of increased costs on all transactions which permeate and multiply and enter into the affairs of the world's entire population, increasing the cost of all production, distribution, and consumption, and exacting its tithe at every turn from producer to consumer.

Paradoxical as it may seem, deflated values mean increased cost of production, for deflated values mean reduced revenues, and reduced revenues mean increased taxation, and increased taxation means added cost of production. The world can not incur a debt of such magnitude upon a basis of inflated values and liquidate it upon the basis of deflated values. In accumulating this vast increased financial burden for war debts we will be compelled to follow the history of natural progression and adapt ourselves to the changed conditions, rather than attempt under the radical change in economic conditions to return to a pre-war basis. A return to prewar basis would wreck every existing Government. Ignoring this fact in the effort to force prices back to a prewar level has paralyzed agriculture, throttled commerce, stagnated civilization, and imposed burdens upon us that will require unborn generations to discharge.

Five years of war created sociological and economic changes which would not have developed in 500 years of natural evolution, changes which will compel the acceptance of and adjustment to an elevated standard of values as a permanent inheritance. Following all wars we have inflation, due to destruction, nonproduction, and to the fact that Governments inflate for the purpose of financing wars. We find through the records of history from a period of 1,000 years before the birth of Christ that from time to time great money powers have taken advantage of the people during these inflated periods and have gained vast wealth at the expense of the masses through artificial deflation, conducted by usurious interest rates, contraction of the currency, and restriction of credits.

I heartily indorse the Federal reserve system as originally designed and established for the purpose of supplying a sound and elastic currency in this country. I do not forget that it saved this Nation from disaster in war. However, the law should be amended so as to prevent the possibility of a recurrence of the disastrous conditions created as a result of the policy adopted in the operation of said system. I feel that the administration of the system is subject to severe criticism. From the signing of the armistice for a period of approximately 18 months we were enjoying prosperity. However, the enforcement of the policy of the Federal reserve, which was adopted in 1920, wrecked the most splendid wave of business activity that this country ever saw by economic blundering.

The keynote of the Federal Reserve Board's policy you may learn in the Federal Reserve Board Bulletin of August, 1921, in Gov. Harding's letter addressed to Senator Reed Smoot:

"The pyramiding of credits was proceeding at an alarming degree, and it was evident that if expansion should continue to proceed at such a rapid rate it would be merely a question of time until the credit structure of the country would explode."

To avert that conjectured unhappy event, the Federal Reserve Board in hysteria applied the screws that resulted in a commodity panic, widespread loss, and business depression.

May we ask if it was intelligent to compel a horizontal liquidation of bank credit—certainly it would not be intelligent to compel a horizontal liquidation of bank deposits? All that was required of the reserve board was to compel a vertical liquidation wherein the abuses lay. A certain British statesman in a trying situation wherein our country was involved pointed out the folly of trying to indict a nation, yet we were guilty of a like folly in trying to liquidate a nation's business en masse. Sound commercial banking is based on the seasonal liquidation of bank loans. With commodities back of the loans, and a fair ratio in reserves, there can be no inflation if commodities are valued with an eye to mean prices. Did the reserve board in its panicky fear that "the

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credit structure would explode" lose sight of the fact that the consummation of the seasonal transaction on which the credit was based is the perfect and complete means of liquidation, and that if a pyramiding of credits was occurring the remedy was one of individual rather than mass application? In fact, apart from seasonal liquidation as goods move to the consumer, every banker knows that there can be no liquidation of bank loans at other than panic prices. Furthermore, the comment of the international gold movement during 1921, due to the emission of paper money abroad and the consequent operation of Gresham's law resulting in the import of \$800,000,000 of gold—a fact not impossible of forecast in 1920—quite reduces the policy of our reserve board to absurdity. The enormous profits made and surpluses piled up in the various regional banks are a departure from the public purposes for which they were established that the precipitate contraction of credits through an autocratic and unsympathetic policy, promulgated by the Federal Reserve Board at Washington, was in part responsible for the toboggan slump in general values that entailed the loss of billions of dollars to this country. Had it not been for the enforcement of this policy by the Federal Reserve Board we would to-day be in the midst of prosperity. Deflation would have come upon the law of supply and demand in an orderly manner; had it not been for the enforcement of this policy there would have been a more equal distribution of wealth than at present, and instead of the agricultural South and West being absolutely dependent upon the great commercial centers they would have been enjoying economic and commercial freedom, thus bringing greater prosperity, not only to these sections but to the entire Nation.

Senator PAGE. You say the cost of this last crop was 30 cents.

Mr. WANNAMAKER. I said the cost was 31 cents. You have got to get the general average cost. I have no idea in the world, if you are going to buy the cotton, that you will set a cost at 31 cents.

Senator HARRELD. I am seeking information on it. I have got to be shown before I can be in favor of it. I will say that to you.

Mr. WANNAMAKER. You have got to get your general average cost, like they did on the Egyptian cotton. You would find that the Government would have to take a very small amount of the cotton.

The CHAIRMAN. Of course, if the Government did buy it all, the Government would fix its own price and get its money back, I suppose.

Mr. WANNAMAKER. But you won't need to buy this cotton. You are going to have competition in the market. The Government is not going to get it all. The same way with wheat. And in Brazil, where they have had permanent stabilization of prices, they can not buy all the Brazilian coffee crop.

Senator PAGE. I don't know that you can promptly raise the price from 15 to 20 cents by legislation. I don't believe it now. I would have to be shown. I don't take any stock whatever in raising the price from 15 to 25 cents by simple legislation, because it means we have got to take more money than we can raise, if we are going to buy all the wheat, corn, and cotton that is grown.

Mr. WANNAMAKER. But England raised the price of the cotton crop 6 cents a pound, and she didn't buy but very little cotton.

Senator PAGE. That is an argument against my theory, but my theory remains to be changed by argument and not by statements. If you should say we want to take \$5,000,000,000 and put it into a pot to take care of stabilization, and you should ask that to help general business in cotton I would vote it in a minute. I would not at all hesitate to put in any reasonable sum, if it would affect the proposition, but I do not believe we should say we are going to borrow forty or fifty or a hundred billion dollars to buy all the cotton, corn, and wheat crops.

Mr. WANNAMAKER. My heavens, you would not have need for any such sum.

Senator PAGE. You say we would not, but I tell you when you say the price is 15 cents and we undertake to raise it to 20 cents we have got to buy it.

Senator HARRELD. In other words, if the Government goes into a thing of that kind it will affect our rate of exchange.

Mr. WANNAMAKER. That is the first point.

The CHAIRMAN. Gentlemen, let us not argue this among ourselves. We will do that when we get through with the witness. We have other witnesses to hear. We are not going to get through with Mr. Wannamaker at the progress we are making.

Senator HEFLIN. I would say that your platform suggested a guaranty of reasonable profits to the manufacturers in 1908—your party platform.

Senator PAGE. I think we never got that in concrete form so we were compelled to buy.

The CHAIRMAN. Let us let the witness go ahead.

Senator HARRELD. I have got an absolutely open mind on it. I am seeking information.

Mr. WANNAMAKER. I want to make one other reference to the stabilization. On my committee is the president of the New England Manufacturers' Association, whom I have known for years. He is one of the big business men up there, and I think you will find he himself will approve a proposition like this. However, I have never discussed this proposition with him. I am not positive he will. I draw that conclusion from having sat on the committee with him. It is an emergency measure which we have.

Senator PAGE. As an emergency, I am disposed to be liberal in doing anything that will sustain the market for agricultural products.

Mr. WANNAMAKER. I am very glad to know that. We agree exactly on that.

Senator LADD. What I want to ask is, for middling spot cotton the parties who drew this bill, the experts in the House, placed it at 18 cents. What have you to say about that?

Mr. WANNAMAKER. That price would be entirely too low. If you would get 18 cents per pound for the cotton, it would give the man and his wife and two children working in the field 64 cents per day.

The CHAIRMAN. You mean 64 cents apiece, or the aggregate?

Mr. WANNAMAKER. No, sir; for the whole aggregate. I will read the figures out, if you would like to have me do so. I am going to turn this over to your stenographer. That is worked out here in detail.

Aside from that, Senator, at that price of 20 cents a pound it would give to the white man and the white woman and the white girl and boy working in the cotton fields of the South, only one-eighth of the price that is being paid to the fellow working in the coal mine, the laborer working on the section. It would stamp him with the same stamp he has always been stamped with: He is raising a slave crop at slave wages, and it is impossible to make the world understand it.

Senator HEFLIN. 64 cents per day?

Mr. WANNAMAKER. 64 cents per day: yes.

The CHAIRMAN. That computation is based on present conditions and costs?

Mr. WANNAMAKER. Yes, sir. That is under present conditions and costs, and in all probability it will be higher next year, for this reason: The farmer may not be able to get cash to operate the farm. He will have to go back to the old system of getting goods in advance, and at interest of about 40 to 50 per cent. He will have to reduce that price in some way, probably by calling his children home from school and putting them back in the field.

I have right now in my pocket a letter like this, bearing on cost. A farmer in the cotton belt, when cotton was 40 cents, wrote me a letter, saying that he had sent his five children to school for the first time, the oldest child being 18 years old, and that he had taken his wife out of the cotton field. They were farming on land that they had formerly owned but now rented, that had come down through the generations. From time to time, he dropped me a letter, saying how elated he was. I got a letter from him the other day, and it shows the trend of mind of these people. Here is what he said: "I wish to God Almighty I had never gotten 40 cents for cotton. I have had my children in school. I have had to call them home. They will not work in the field. My wife is discontented. She is not willing to go back in the field."

Senator PAGE. That condition will not continue always.

Mr. WANNAMAKER. It has continued for half a century. The world won't understand it. This country is one country. We have no sections in it. It is one people, and God Almighty knows that it is a fact that there is no section in this country to-day but realizes the condition of the agricultural producer. Not until that condition is remedied can we have prosperity for the people in that section, and your civilization comes from the country. If this situation is not rectified, your cities are going to suffer for it. A recognized authority recently stated that unless relief is speedily extended to agriculture it means the certainty of famine supplies and famine prices. All agricultural products are being murdered. The producers are helpless. They are not to blame for the predicament in which they were caught. It's our duty to relieve them. If we of the cities and great commercial lines fail to perform this duty, we ourselves will pay a fearful penalty.

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Senator PAGE. How long do you expect this present condition to continue; that is, to the extent that the power of the Government will have to step in and buy the products of the South, buy the cotton?

Mr. WANNAMAKER. I want this for the entire country; for entire America. I am not asking for any section. No, sir. I am not asking it for the South, not unless you give it to every section. They all need it. The corn section is the worst of all, and next is the cattle section.

Senator PAGE. We know all about that. I am interested in cattle myself, so I know.

Mr. WANNAMAKER. It is every section, Senator. I am not advocating it for any particular section. Cotton is the leading product in America's commerce and international trade. It is the Nation's greatest single monetary asset. If Providence had given to New England a monopoly in cotton growing, she would have organized it and made the world pay her tribute. This monopoly, instead of being a blessing, has been a curse to the South. If cotton had grown all over the United States, Vermont and Massachusetts as well as in South Carolina and the other Southern States, it would have had friends all over the Union who would have stood up and protected it. As it grows only in the South it has been regarded and treated as a sectional product for the last 50 years and has brought a lower price per pound to the farmers since the War between the States, when produced under free labor, than the price per pound which it brought for a like period before the War between the States, when produced under slave labor, regardless of the fact that the expense of production since the War between the States has enormously increased, due to the necessity of the application of expensive fertilizers, the inroads of the boll weevil, and the increase in practically every other element that goes into the cost of production. The South is entitled to such a price for cotton as would cover the cost of production plus a fair profit, as is enjoyed by the various other lines of the cotton industry. Had cotton been treated as a great national crop, as the leading product in America's commerce and international trade, cotton would have developed into the greatest gold mine in the world for the enrichment of commerce throughout the entire Nation. Had we had national cooperation in handling, financing, and marketing cotton, a greater Nation would have been created through a greater South.

However, I am advocating this legislation in the interest of the agriculture and commerce of the entire Nation. I am not advocating it for any particular section.

I stated in a public hearing in 1919 that the enforcement of this policy of artificial deflation would place the agriculture of the entire Nation in the same distressing condition in which the agriculture of the South was placed as a result of the War between the States, and the conditions prevailing throughout the agricultural sections of the Nation to-day verify this prediction. I wish to God's sake my prediction had proved to be incorrect.

Senator HEFLIN. Senator Caraway suggested to me a while ago that during the war the Government fixed the price of wheat, and there was no loss in that venture at that time.

Mr. WANNAMAKER. There was no loss; no, sir.

Here is another proposition. During the War the Government set a price on wheat. The wheat growers were convinced that this price was too low, and that had it not been for the action of the Government they would have gotten a far higher price for their wheat. The reasons for stabilizing prices to-day are far greater than they were when the price was named on wheat. The war was still in force; American soldiers are still on the other side. The American farmers are absolutely prostrated. They produced largely as a matter of service when we were actively engaged in the war. They planted the crops in 1920 as a matter of business in response to continuous appeals for increased production and assurances that there would be a pressing demand at profitable prices for these products. They used all possible means to ascertain if any steps would be taken through Government sources that would have an adverse bearing upon the prices and marketing of said crops, and being assured that no such steps would be taken the crops were planted. Before the crops could be marketed, the War Finance Corporation was removed and the policy of deflation enforced, and they could sell on restricted markets, in a limited way, and at prices far below the cost of production. It is unfair to set a minimum price of cost plus a reasonable profit? Unless this is done, the producer can not continue to produce. It will be necessary to extend him credit, either of goods or moneys, for the purpose of production. He is already

loaded with inflated debts. He has no assurance that he will be able to secure even cost for his products. He has no incentive to produce. Our commerce and civilization is vitally concerned in the solution of this problem.

Senator PAGE. We all feel that there is a great depression in agriculture, and we all want to do everything we can, by any practical and possible means, but when you ask us to take all of the cotton, and all of the corn, and all of the wheat and buy it at a fixed price very much above the current market price of the world, then I want you to show me, if you will—and you haven't done it so far, although I have asked you several times—to what extent we will have to draw on the Federal Treasury.

Mr. WANNAMAKER. All right, Senator, I will put it now in absolute figures.

If you will establish this as a war emergency only—

Senator HEFLIN. A reconstruction measure.

Mr. WANNAMAKER. As a war emergency measure, a reconstruction measure, for wheat, cotton, and corn, \$500,000,000, or possibly \$1,000,000,000 as provided in this bill, will absolutely save the bankers of this country and save the agricultural interests of the country, and you would not have to use but a very small amount.

Senator PAGE. I am willing to be paternalistic to that extent myself, but I can see it might take anywhere from five to fifty billions to buy those products.

Senator HEFLIN. That is just one-twentieth of what the foreign countries owe us now.

Senator CABAWAY. His statement that the Government is going to take all the crop is based on the theory that the world will not need it, because if the world is going to use it, it must get it, and if it knows it can not get it for less than a certain price, it will pay that price.

Senator HEFLIN. We do get it every 12 months.

The CHAIRMAN. Senator Page and the witness do not agree on that proposition. The witness does not claim that we would have to buy all or much, if any. Senator Page assumes that we would have to buy it all. Of course, they do not agree.

Mr. WANNAMAKER. Senator, I asked a leading banker this question: "What is the trouble with business to-day?" His answer was: "The farmer has not a market for his product, except at a price below the cost of production. This situation can only be relieved by securing for him a profitable price for his product. The agriculture of this Nation is literally paralyzed." I asked a manufacturer: "In your judgment, what is the trouble with business to-day?" His answer was: "Our agriculture has been caught in the debacle of deflation and as a result they are shouldered with debts. Relief to this situation can only come by assuring them of a profitable price for their products and by arranging whereby they can secure financial credits at a very low rate of interest to enable them to carry these debts and thus have some hope of finally discharging same. As a matter of self-preservation, it is our duty to use the entire machinery of this Government, if necessary, to bring relief to these conditions. If the farmers of the Nation had a profitable price for their products to-day, I would have a market for my products."

Instead of having idle people and people hunting for jobs, the jobs would be hunting for the people. We would have intense business activity instead of business stagnation. The gravity of the situation is not realized by many of our leading business men. If the agricultural producers, the merchants, the banks, and the various lines of business directly dependent upon agriculture, were forced to-day to pay their obligations, the result would indeed be disastrous. The losses which have been incurred as a result of this deflation are staggering. The fact that the losses have not yet been paid has not yet brought home a realization of the true conditions to the minds of the people. I can see no solution of this problem, except a stabilization of prices for agricultural products, a minimum price guaranteed to the producer of cost plus a reasonable profit, and a stabilization of debts, machinery whereby the producers and those who have been caught with this burden of debt can obtain credits at the lowest possible rate of interest through a long extension of years. Such legislation is not paternalism. It is a national and world-wide necessity.

The pocketbook of the farmers, or the state of their bank accounts, more clearly and forcibly typifies the general condition of business than any other barometer of trade. Fat and lean years in the commercial activities of the Nation are known by the financial condition of the farmers and not by the size

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of the crops they grow. Carefully prepared statistics, running back over a long number of years, show that periods of very low prices for farm products are always followed by an increased number of commercial failures. In years when the purchasing and debt-paying powers of the farmers are lowered general business suffers and an unusually large number of failures result. The financial standing of the farmers, therefore, represents the keynote to the success or depression in the business of the Nation.

Knowing this to be the fact from the records of the past, it does seem reasonable, and as a matter of safety, that the entire business interests of the country would support and back up every sound and safe method of farming operations that will tend to keep the pocketbook of the farmers fat and their purchasing power at the highest point of strength. However, when any movement is launched at Washington to secure the enactment of Federal laws which will aid agriculture and make more certain the permanent prosperity of the farmers there immediately goes up a wail from certain powerful and influential agencies against class legislation.

Upon a strict interpretation of agriculture as the basic industry of the Nation it can not be given a special class distinction. Agriculture in one form or another enters into every home, every line of business, and furnishes the very life and blood of the Nation. It should be considered as the preeminent actual necessity of the more than 100,000,000 population of the United States, and the one and only industry which is the basic support of every bank and business in the whole country. To speak of agriculture as a class avocation is to put it on a parity and equal footing with the thousand and one artificial industries which have been built upon agriculture, none of which are vitally necessary to human life or civilization.

There needs to be a broadened vision of agriculture and what it stands for. Instead of the farmers clinging onto the foot of the ladder, they should be elevated to the top rung and all other interests should look up to and pay them homage. What would become of the gilded palaces of great wealth, the railroads, the steamship lines, and the commerce of the world without the faithful working farmers? The decadence of agriculture would mean the downfall of cities, the closing of great banking institutions, the rusting of railway lines, famine, suffering, and death of the Republic. The artificial plutocracies of this country have cultivated and built up a sentiment which if allowed to have full sway will drive the tillers of the soil into serfdom and peasantry.

It is time that a new line of thought should be driven into the minds and hearts of the great masses of people and business which make up this Nation. To give the farmers a seat at the table of Government, with the fullest measure of recognition, is in no sense a class distinction. Class, as referred to agriculture, is a misnomer. The sooner this fact is recognized by Government and backed up by all lines of business, the better it will be for the future of the country. Keep the farmers prosperous and all things else will prosper. Keep the farmers depressed financially and the records will continue to show abnormally large numbers of failures all over the Nation.

We are to-day treading in the same steps that other historic nations have taken and regretted. Agriculture is the foundation of commerce and civilization. Throttle agriculture and commerce and civilization will perish. Throttle commerce and you will damn civilization.

Nature seems to have taken a particular care to disseminate her blessings among the different regions of the world with an eye to their mutual intercourse and traffic among mankind, that the nations of the several parts of the globe might have a kind of dependence upon one another and be united together by their common interest. The care of our national commerce redounds more to the riches and prosperity of the public than any other act of Government.

It is only as a result of intense commercial activity, world-wide, that it will be possible to bring peace and prosperity. There is need for an enormously increased production from the fields, the mines, the forests, and the factories of America for the purpose of upbuilding, through the only channel through which we can secure and promote peace—commerce—the higher civilization which should come as a result of the fearful sacrifices of the World War.

The CHAIRMAN. We will adjourn until 10 o'clock to-morrow morning.

(Mr. Wannamaker submitted the following reports referred to in the course of his statement on the cost of production.

REPORT OF SUBCOMMITTEE FOR COTTON BELT ON COST PRICES AND READJUSTMENTS.

Owing to varying conditions in different parts of the cotton belt, and especially to factors of boll-weevil infestation, land fertility, and the use of fertilizers, the cost of production of cotton varies so tremendously that it is impossible to discuss it adequately in a brief committee report. Your committee, however, believes that it would be helpful to discuss some of the conditions found in cotton production at present in order that the Nation and world may understand the extent in which this industry is threatened by present conditions. The crop of 1920 was made at a higher production cost than any previous crop, and the prices received for it were admittedly far below the cost of production. The crop of 1921 was made at somewhat lower production costs but turned out only about two-thirds of a recent average production and prices have again been much below the cost of production. Two years of such conditions have destroyed a large part of the capital invested in cotton production, have faced a large proportion of the landowners, merchants, and fertilizer companies with bankruptcy and have left a large proportion of the banks in a position where, but for the support of the War Finance Corporation, the Federal Reserve system, and outside capital they would be unable to function. The boll weevil is now present in every producing State of the cotton belt except Missouri and Virginia and has covered fully seven-eighths of the acreage devoted to cotton. During the past year, its ravages (while not exclusively responsible for the small crop) greatly reduced the production in every large producing State except North Carolina.

The outlook for production the coming year is not good. The South has thus far experienced a winter almost as warm as last, a condition most favorable to the hibernating weevil. A large proportion of the farmers not only lack the funds or credit with which to procure fertilizers and labor but are discouraged at the outlook for production and prices.

It may be helpful at this point to give a typical illustration of the outlook for landowner and tenant. Let us take a 30-acre farm unit, valued at \$1,500 and including 25 acres of cleared land. This is occupied by a tenant farmer who furnishes all the implements and labor, including mule power, and receives half the cotton and all the grain crop for his services. The landlord's account will appear about as follows:

	Debit.	Credit.
LANDLORD'S ACCOUNT.		
Taxes.....	\$25.00	
Interest and depreciation.....	150.00	
Fertilizer for cotton.....	90.00	
Cotton seed.....	10.00	
Half of cost of ginning and baling.....	12.50	
Supervision.....	100.00	
One-half of 5 bales of cotton, at 16 cents a pound. 2½ tons cotton seed, at \$30.....	\$200.00 75.00	
Total.....	387.50	275.00
Landlord's loss.....	112.50	
TENANT'S ACCOUNT.		
Feed of mule.....	75.00	
Depreciation and interest on mule.....	25.00	
Taxes.....	5.00	
Fertilizers for 10 acres corn and grain, at \$3.....	30.00	
Depreciation and repairs, implements.....	10.00	
Half of cost of ginning and baling.....	12.50	
Total of debits.....	157.50	200.00
One-half of 5 bales of cotton, at 16 cents a pound.....	75 bushels of corn.....	50.00
100 bushels of oats.....	2 tons of hay.....	50.00
Total.....	157.50	340.00 157.50
Return received by tenant.....		182.50

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The balance of \$182.50 represents labor for the entire year for man, wife, and two children, which is 61 cents per day for 300 days. On a 365-day basis, this gives a total revenue of 10 cents per day for each member of the tenant's family of five. That these figures are not overdrawn can be readily proven by reference to the production statistics of the Department of Agriculture, which are readily available. The Census Bureau reports 1,000,890 farms producing cotton in 1919. This for the crop of 1921 would give 4 $\frac{1}{2}$ bales per farm. Assuming only one family per farm (a totally unwarranted conclusion), this would give each share-cropping farmer 2 $\frac{1}{2}$ bales or a revenue of \$170 from cotton.

What would the cost of the production of cotton be if the cotton producer were allowed a wage commensurate to that received by the coal miner, the railroad worker, the brick mason, or the factory operator? Your committee has not the data upon which to base this calculation but states without fear of contradiction that no price received, even at the peak of the period of commodity values, will give the actual producer of cotton a wage comparable in any way with that normally received by all classes of union labor and even by most classes of farm labor elsewhere in the United States.

The boll weevil having practically covered the cotton belt, and the pink boll worm having been discovered at various points in the western part of the belt, the future hazards in cotton production are greater than ever before. A high production can be kept up only by a much higher range of prices than those prevailing in the past. Those in close touch with the cotton situation have no fear that the recent overproduction (or, rather, underconsumption) due to world poverty caused by war, will continue, but rather are they concerned as to how to keep the cotton industry producing in sufficient volume to maintain a prosperous and well-balanced southern agriculture. It is true that present conditions, caused by a temporary underconsumption, have caused a most serious situation and this situation must be met by a decreased acreage for 1922 and by financial measures to prevent dumping of the temporary surplus upon the market until demand overtakes supply. Diversification of crops and the production of ample (but not excessive) supplies of foodstuffs and livestock should be encouraged in the cotton belt by every agency interested in the industry. Such a policy, while vital in the present emergency, is desirable at all times, for a normal acreage of cotton can not be planted, cultivated, and promptly gathered under boll-weevil conditions. The cost of cotton production can, to a certain extent, be reduced and the yields increased by educating the farmers of the belt in the proper use of fertilizers, the value of seed breeding, and the use of well-bred varieties of uniform staple and good character, and also by giving the farmers access to full information as to the best methods of farm management in general. This can best be accomplished by greatly increasing the scope of the extension service of the cotton States and according it ample support.

Especial attention is called to the problem of the pink boll worm, and your committee recommends that the Department of Agriculture promptly investigate the situation created by the invasion of this new pest, determine whether it is possible to eliminate or control it, and immediately go to Congress for the necessary appropriation, however large, for complete elimination or effective control. The history of this pest in Egypt and Mexico indicates that should it become firmly established in this country, with its ravages added to those of the boll weevil, it is unlikely that cotton production can be profitably continued at any prices which the world may be willing or able to pay for the product.

High transportation charges add to the cost of production of cotton just as they do to the cost of production of every other commodity, and the cotton grower feels that the earliest possible steps should be taken to reduce this burden.

Your committee would like to call your attention to the fact that a very high return for labor in the railroad, coal mining, building trades, and other industries, has a very definite effect in the cost of production for cotton, and is a factor in keeping wages and returns in the cotton industry at its present scandalously low level. It would also call attention to the fact that the great cotton industry, except in minor sections, can not be helped by a tariff. The tariff on cottonseed oil has, according to the best opinion of the students of that industry, been harmful rather than helpful to the producer. A tariff when laid upon a product which must be purchased by the cotton producer, adds to his cost of production and reduces the returns upon his labor and investment.

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A particular case in point will be the tariff on potash salts, a commodity which is indispensable to the production of cotton over large areas.

Attention is called to the growth of cooperative marketing in the cotton industry, and the economic saving therefrom. We endorse the continuance and expansion of this movement and the action of the War Finance Corporation in supporting these organizations. We recommend that this corporation be continued until other measures to furnish adequate financial support be devised and put into operation.

The fundamental problem of the cotton grower is that of production. Whatever increases yield lessens production costs and benefits both producer and consumer. We, therefore, heartily favor every governmental means of furnishing cheaper nitrates to all classes of farmers, and consider this a matter of national concern. This committee, therefore, expresses its conviction that the Government should take whatever steps may be necessary to complete the development of the Muscle Shoals project for the production of cheaper agricultural nitrogen. If this project was wise as an adjunct to war, it is wise as an adjunct to peace.

(Mr. Wannamaker submitted the following table showing the average monthly prices of leading agricultural, mining, and manufacturing products during the period from May, 1920, to August, 1921, inclusive, the figures having been compiled from the official monthly issues of the Federal Reserve Bulletins published by the Federal Reserve Board):

Average monthly prices of leading agricultural, mining, and manufacturing products during the period of great deflation, from May, 1920, to August, 1921, inclusive.

[Figures compiled from official monthly issues of the Federal Reserve Bulletin published by the Federal Reserve Board. The collapse in prices of agricultural and other commodities was contemporaneous with the enforcement of the Federal Reserve Board's ruinous deflation policies.]

	Corn, No. 3, Chicago.	Cotton, mid- dling, New Orleans.	Sugar, gran- ulated, New York.	Wheat, No. 2 red winter, Chicago.	Cattle, steers, heavy native steers. Chicago.	Hides, packers' light, Chicago.	Hogs, light, Chicago.	Yellow pine, flooring, New York.	Cotton yarns, Boston.	Leather sole, hammock, Chicago.	Steel billets, Besse- mer, Pitts- burgh.	Copper lugs, New York.	Petrol- eum, Pennsy- lvania, at wells.	Pig iron at furnaces.	Total of all loans and dis- counts (including bought paper by all 12 reserve banks, 000, omitted.)	
1920.																
May.....	\$1.98	\$0.403	\$0.2247	\$2.97	\$12.60	\$0.35	\$14.75	\$1.16	\$60.00	\$0.76	\$0.57	\$60.00	\$0.190	\$0.085	\$6.10	\$3.25
June.....	1.83	.403	.2120	2.89	15.03	.34	15.35	1.00	160.00	.72	.57	62.50	.190	.086	44.00	2.80
July.....	1.52	.395	1.910	2.80	15.38	.29	15.86	.90	160.00	.70	.57	61.00	.190	.086	45.75	2.86
August.....	1.33	.388	1.940	2.47	15.35	.28	15.73	.87	157.00	.63	.55	61.00	.190	.089	46.10	2.86
September.....	1.20	.270	1.426	2.49	15.25	.28	17.06	.83	157.00	.64	.51	58.25	.186	.081	48.50	2.86
October.....	.87	.208	1.078	2.20	14.68	.25	14.75	.72	152.00	.43	.49	55.00	.167	.073	43.75	3.02
November.....	.50	.178	.966	2.05	14.57	.23	12.14	.69	124.00	.36	.47	49.70	.145	.062	36.10	2.98
December.....	.73	.144	.800	2.01	12.09	.19	9.66	.54	124.00	.31	.41	43.50	.136	.047	33.00	2.974
1921.																
January.....	65	145	.075	1.98	9.84	16	9.67	.54	110.00	.28	.40	43.50	.128	.049	5.77	30.00
February.....	63	132	.070	1.91	9.31	13	9.70	.54	95.00	.27	.38	42.25	.128	.046	4.18	27.50
March.....	.61	110	.078	1.67	9.50	11	10.30	.52	95.00	.24	.37	38.40	.122	.040	3.00	24.20
April.....	.35	111	.072	1.38	8.71	10	8.85	.52	91.00	.23	.37	37.50	.124	.042	3.18	22.87
May.....	.60	117	.063	1.56	8.42	11	8.45	.50	91.00	.24	.37	37.00	.128	.049	3.35	22.00
June.....	.60	110	.056	1.43	8.09	13	8.25	.49	91.00	.25	.37	37.00	.128	.045	2.62	20.75
July.....	.60	114	.054	1.22	8.40	13	10.20	.49	91.00	.24	.35	32.25	.125	.044	2.25	19.37
August.....	.55	.129	.058	1.23	8.77	.14	10.30	.47	92.00	.25	.34	29.60	.117	.044	2.25	18.20

From May, 1920, to August, 1921—covering exactly the period of the appalling and unprecedented drop in prices of agricultural products—the actual “contraction” or “deflation” of regional reserve bank credits amounted to the huge sum of \$1,411,000,000, and coincidentally the country from ocean to ocean and from Canada to the Gulf and the Mexican border experienced the most “crushing losses” and the greatest annihilation of property values in the Nation’s history. The baneful effects of the board’s plans and policies were seen and felt even before the aggregate of its loans and discounts began to show the shrinkage which since October, 1920, has been drastic and continuous.

From January 1, 1920, to September 6, 1921, the total deposits of the national banks of the United States shrank from 17,800 million dollars to 14,501 million dollars—the total loss in deposits for this period being 3,305 million dollars. During this period the Federal reserve banks instead of easing the situation by granting accommodations to enable the member banks to meet these unprecedented demands upon them, exerted such pressure in requiring them to pay up or curtail their loans that the contraction or deflation in the credits which had been extended by 12 Federal reserve banks showed, from the end of May, 1920, to the 1st of September, 1921, the colossal and destructive contraction, as above stated, of more than 1,400 million dollars.

would be treating the most disastrous calamity that has ever befallen the agriculture and business of the Nation, if cotton had been forced upon the market.

I wish to call your attention to the result of the enforcement of the policy of artificial deflation by the Federal Reserve Board. This policy was started in May, 1920. (Refer to exhibit attached, being table prepared by Hon. John Skelton Williams, former Comptroller of the Currency, showing the average monthly prices of leading agricultural, mining, and manufacturing products during the period of great deflation, from May, 1920, to August, 1921, inclusive, the figures having been compiled from the official monthly issues of the Federal reserve bulletins published by the Federal Reserve Board.)

Senator HARRELD. The reason I asked that was that the farmers of my section of the country, some of them, claim that they have got their cotton on hand because bankers had advised them not to turn it over.

Mr. WANNAMAKER. The bankers had to do that as a matter of self preservation. If they had told them to sell, it would have broken the market to pieces. There was no avoiding it.

Senator HARRELD. Of course, I am only seeking information.

Mr. WANNAMAKER. I understand. I am awfully glad you asked me that question.

Senator PAGE. Senator Harreld, let me ask, right on that point, suppose cotton is 15 cents a pound, and we should make a price of 20 cents, say we will take all the cotton at 20 cents, have you any idea that we won't have it all to buy right off at once?

Senator HARRELD. You have got to buy every ounce of that. I will tell you that.

Mr. WANNAMAKER. If you establish the commission to-day, I would not advise you to make the price 30 cents. Although the farmers are carrying cotton from previous years that cost them as high as 37½ cents per pound basis middling to produce same, as shown by the Government reports for 1920, this cost being, of course, greatly added to by the carrying charges. I can not think, however, that a minimum price of less than 25 cents per pound basis middling would be recommended. I recommend this price, which, as shown, is much below the cost of production. However, I base it upon the price to which the commodities necessary for the production of cotton are selling to-day. In other words, this would be what a merchant would call the replacement price of his goods, and not cost price, and I am suggesting 25 cents, based upon the theory that the minimum price is to be cost, without making any allowance whatever for a reasonable profit to the producer. If every pound of cotton in the South were sold to-day at 25 cents basis middling, it would still leave the producers burdened with an enormous debt which they incurred for the production of their crops for the last several years.

Never was there a time when more strenuous efforts were used to encourage increased production, and never was there a time in the history of the agriculture of the Nation when more concentrated efforts were made to ascertain if any steps would be taken that would adversely affect the price of cotton before the 1920 crop was planted. Every inducement was offered for increased production and every assurance given that there would be a demand at profitable prices, until after the crops were planted.

The first intimation secured concerning the enforcement of this deflation policy was in the spring of 1920 when Secretary Houston, in reply to my direct inquiry as to the reasons for the removal of the War Finance Corporation, thus breaking the faith of the American farmers, when I pointed out that the War Finance Corporation was to operate for one year after the cessation of hostilities, and that the farmers had been given this assurance before the 1920 crop was planted; that the removal of same would bring wreck and ruin to agricultural and commercial industries of the country, he replied in part as follows: "I do not think it would be wise for the Government to subsidize our producers and to maintain or increase the high level of prices here by stimulating sales to European countries which find themselves unable or unwilling to make payment for their purchases."

He suspended the War Finance Corporation in defiance of expressed will on the part of Congress and positively refused to reinstate same. In an effort to get him to reinstate the corporation, a conference with the Secretary of the Treasury and the Federal reserve board was held in the early fall of 1920. This conference was attended by the representatives of twenty-two national farmers' organizations from all parts of the Nation, representatives of all

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branches of farming, dairying, live-stock producing, and many other lines of business, representing practically every State in the Union.

At this conference, I read to the Secretary of the Treasury, in the presence of 60 representatives, representing practically every State in the Nation, the letters he had written me officially, which were in line with those statements, in which letters he stated that the policy of the Government was opposed to the exportation of American products, as it would result in increasing the indebtedness of Europe to the Government of America. I also read a letter from him in which he quoted a prominent Government official as saying that prices of agricultural products and commodities must go lower. I pointed out that the removal of the War Finance Corporation, after the producer had planted his crop with the understanding that the War Finance Corporation would function for one year after the ratification of peace and with the further understanding that there was urgent demand for American agricultural products in Europe for the purpose of enabling them to rehabilitate and start to pay their enormous war debts, had closed the market to 66 per cent of the American crop and would bring wreck and ruin to American agriculture and commerce. I pointed out to Secretary Houston at that time, and again reiterated my previous statement, that this policy of drastic artificial deflation would have the same effect that it had had in all of the records of history, that it would result in suicide, insanity, and bankruptcy, and in bringing suffering to millions of innocent people. I pointed out that we had the opportunity of world trade; that as a result of the five years of the World War sociological and economic changes which probably would not have developed in 500 years of natural evolution had taken place; that these changes would compel the acceptance of and adjustment to an elevated standard of values as a permanent inheritance.

He expressed himself, however, as determined to adhere to the policy of deflation.

All efforts to induce him to reinstate the War Finance Corporation proved unavailing. He stated that the Government would take no action that would influence, directly or indirectly, the maintenance of the then existing prices, nor would he permit the functioning of the War Finance Corporation. All efforts to gain relief, cooperation, or assistance from the Secretary of the Treasury failed, he taking the position that agricultural products should be marketed as soon as harvested; that orderly marketing meant immediate sales; that holding tended to interfere with orderly business and commerce; that the producer's business was to produce.

Regardless of every assurance that assistance was not desired for the purpose of holding for speculation, but only for the purpose of orderly marketing and harvesting, he insisted that the producers should not expect assistance for this purpose, even through existing financial machinery; that if they would harvest and sell their products they would be able to finance same without assistance.

The Secretary of the Treasury stated emphatically that prices must go lower: that we must return to prewar conditions, although earlier in the meeting he had strenuously denied that he had issued such statements. In addition to this, the Secretary of the Treasury severely criticized the efforts to help the agricultural producers, regardless of the fact that it had been explained that there was no market for agricultural products except in a limited way at far below the cost of production; that confidence had been destroyed as a result of the policy enforced in Washington.

The Secretary of the Treasury insisted that the only course open was to dispose of the products, accept losses, and redouble our efforts in production with a view of recovering the losses so incurred; that lower prices were a necessity and certainty; that inflation could not remain.

An effort to hold a conference with the President was declined on account of the sickness of the President. An effort to hold a conference with his Cabinet proved unavailing. Conferences were held with the Federal Reserve Board, a plea being made by a personal representative of each line of agriculture and live-stock raising for a lowering of the rediscount rate and an immediate reversal of the policy of contraction of credits and currency. The plea put forth by the various representatives was indorsed by Senators and Congressmen. The condition of the agricultural producer, being without markets except in a limited way at less than one-third the cost of production, was pointed out. The gold reserve justifying additional circulation and credits was referred to. The earnings of the Federal Reserve were cited. All efforts to secure relief again failed.

In my testimony before the Joint Agricultural Commission I showed that the world's debts have increased from \$43,106,495,000 in 1913, approximately to \$300,000,000,000 in 1920, or over 600 per cent, while the great majority of nations are still finding it necessary to increase their outstanding obligations to provide funds necessary to meet their budget requirements. The debts of the United States Government have increased from \$1,028,564,000 to \$24,062,510,000 in a similar period, which includes moneys due from foreign governments. The effect of this added burden is expressed in taxation, either direct or indirect, in the form of increased costs on all transactions which permeate and multiply and enter into the affairs of the world's entire population, increasing the cost of all production, distribution, and consumption, and exacting its tithe at every turn from producer to consumer.

Paradoxical as it may seem, deflated values mean increased cost of production, for deflated values mean reduced revenues, and reduced revenues mean increased taxation, and increased taxation means added cost of production. The world can not incur a debt of such magnitude upon a basis of inflated values and liquidate it upon the basis of deflated values. In accumulating this vast increased financial burden for war debts we will be compelled to follow the history of natural progression and adapt ourselves to the changed conditions, rather than attempt under the radical change in economic conditions to return to a pre-war basis. A return to prewar basis would wreck every existing Government. Ignoring this fact in the effort to force prices back to a prewar level has paralyzed agriculture, throttled commerce, stagnated civilization, and imposed burdens upon us that will require unborn generations to discharge.

Five years of war created sociological and economic changes which would not have developed in 500 years of natural evolution, changes which will compel the acceptance of and adjustment to an elevated standard of values as a permanent inheritance. Following all wars we have inflation, due to destruction, nonproduction, and to the fact that Governments inflate for the purpose of financing wars. We find through the records of history from a period of 1,000 years before the birth of Christ that from time to time great money powers have taken advantage of the people during these inflated periods and have gained vast wealth at the expense of the masses through artificial deflation, conducted by usurious interest rates, contraction of the currency, and restriction of credits.

I heartily indorse the Federal reserve system as originally designed and established for the purpose of supplying a sound and elastic currency in this country. I do not forget that it saved this Nation from disaster in war. However, the law should be amended so as to prevent the possibility of a recurrence of the disastrous conditions created as a result of the policy adopted in the operation of said system. I feel that the administration of the system is subject to severe criticism. From the signing of the armistice for a period of approximately 18 months we were enjoying prosperity. However, the enforcement of the policy of the Federal reserve, which was adopted in 1920, wrecked the most splendid wave of business activity that this country ever saw by economic blundering.

The keynote of the Federal Reserve Board's policy you may learn in the Federal Reserve Board Bulletin of August, 1921, in Gov. Harding's letter addressed to Senator Reed Smoot:

"The pyramiding of credits was proceeding at an alarming degree, and it was evident that if expansion should continue to proceed at such a rapid rate it would be merely a question of time until the credit structure of the country would explode."

To avert that conjectured unhappy event, the Federal Reserve Board in hysteria applied the screws that resulted in a commodity panic, widespread loss, and business depression.

May we ask if it was intelligent to compel a horizontal liquidation of bank credit—certainly it would not be intelligent to compel a horizontal liquidation of bank deposits? All that was required of the reserve board was to compel a vertical liquidation wherein the abuses lay. A certain British statesman in a trying situation wherein our country was involved pointed out the folly of trying to indict a nation, yet we were guilty of a like folly in trying to liquidate a nation's business en masse. Sound commercial banking is based on the seasonal liquidation of bank loans. With commodities back of the loans, and a fair ratio in reserves, there can be no inflation if commodities are valued with an eye to mean prices. Did the reserve board in its panicky fear that "the

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credit structure would explode " lose sight of the fact that the consummation of the seasonal transaction on which the credit was based is the perfect and complete means of liquidation, and that if a pyramiding of credits was occurring the remedy was one of individual rather than mass application? In fact, apart from seasonal liquidation as goods move to the consumer, every banker knows that there can be no liquidation of bank loans at other than panic prices. Furthermore, the comment of the international gold movement during 1921, due to the emission of paper money abroad and the consequent operation of Gresham's law resulting in the import of \$800,000,000 of gold—a fact not impossible of forecast in 1920—quite reduces the policy of our reserve board to absurdity. The enormous profits made and surpluses piled up in the various regional banks are a departure from the public purposes for which they were established that the precipitate contraction of credits through an autocratic and unsympathetic policy, promulgated by the Federal Reserve Board at Washington, was in part responsible for the toboggan slump in general values that entailed the loss of billions of dollars to this country. Had it not been for the enforcement of this policy by the Federal Reserve Board we would to-day be in the midst of prosperity. Deflation would have come upon the law of supply and demand in an orderly manner; had it not been for the enforcement of this policy there would have been a more equal distribution of wealth than at present, and instead of the agricultural South and West being absolutely dependent upon the great commercial centers they would have been enjoying economic and commercial freedom, thus bringing greater prosperity, not only to these sections but to the entire Nation.

Senator PAGE. You say the cost of this last crop was 30 cents.

Mr. WANNAMAKER. I said the cost was 31 cents. You have got to get the general average cost. I have no idea in the world, if you are going to buy the cotton, that you will set a cost at 31 cents.

Senator HARRELD. I am seeking information on it. I have got to be shown before I can be in favor of it. I will say that to you.

Mr. WANNAMAKER. You have got to get your general average cost, like they did on the Egyptian cotton. You would find that the Government would have to take a very small amount of the cotton.

The CHAIRMAN. Of course, if the Government did buy it all, the Government would fix its own price and get its money back, I suppose.

Mr. WANNAMAKER. But you won't need to buy this cotton. You are going to have competition in the market. The Government is not going to get it all. The same way with wheat. And in Brazil, where they have had permanent stabilization of prices, they can not buy all the Brazilian coffee crop.

Senator PAGE. I don't know that you can promptly raise the price from 15 to 20 cents by legislation. I don't believe it now. I would have to be shown. I don't take any stock whatever in raising the price from 15 to 25 cents by simple legislation, because it means we have got to take more money than we can raise, if we are going to buy all the wheat, corn, and cotton that is grown.

Mr. WANNAMAKER. But England raised the price of the cotton crop 6 cents a pound, and she didn't buy but very little cotton.

Senator PAGE. That is an argument against my theory, but my theory remains to be changed by argument and not by statements. If you should say we want to take \$5,000,000,000 and put it into a pot to take care of stabilization, and you should ask that to help general business in cotton I would vote it in a minute. I would not at all hesitate to put in any reasonable sum, if it would affect the proposition, but I do not believe we should say we are going to borrow forty or fifty or a hundred billion dollars to buy all the cotton, corn, and wheat crops.

Mr. WANNAMAKER. My heavens, you would not have need for any such sum.

Senator PAGE. You say we would not, but I tell you when you say the price is 15 cents and we undertake to raise it to 20 cents we have got to buy it.

Senator HARRELD. In other words, if the Government goes into a thing of that kind it will affect our rate of exchange.

Mr. WANNAMAKER. That is the first point.

The CHAIRMAN. Gentlemen, let us not argue this among ourselves. We will do that when we get through with the witness. We have other witnesses to hear. We are not going to get through with Mr. Wannamaker at the progress we are making.

Senator HEFLIN. I would say that your platform suggested a guaranty of reasonable profits to the manufacturers in 1908—your party platform.

Senator PAGE. I think we never got that in concrete form so we were compelled to buy.

The CHAIRMAN. Let us let the witness go ahead.

Senator HARRELD. I have got an absolutely open mind on it. I am seeking information.

Mr. WANNAMAKER. I want to make one other reference to the stabilization. On my committee is the president of the New England Manufacturers' Association, whom I have known for years. He is one of the big business men up there, and I think you will find he himself will approve a proposition like this. However, I have never discussed this proposition with him. I am not positive he will. I draw that conclusion from having sat on the committee with him. It is an emergency measure which we have.

Senator PAGE. As an emergency, I am disposed to be liberal in doing anything that will sustain the market for agricultural products.

Mr. WANNAMAKER. I am very glad to know that. We agree exactly on that.

Senator LADD. What I want to ask is, for middling spot cotton the parties who drew this bill, the experts in the House, placed it at 18 cents. What have you to say about that?

Mr. WANNAMAKER. That price would be entirely too low. If you would get 18 cents per pound for the cotton, it would give the man and his wife and two children working in the field 64 cents per day.

The CHAIRMAN. You mean 64 cents apiece, or the aggregate?

Mr. WANNAMAKER. No, sir; for the whole aggregate. I will read the figures out, if you would like to have me do so. I am going to turn this over to your stenographer. That is worked out here in detail.

Aside from that, Senator, at that price of 20 cents a pound it would give to the white man and the white woman and the white girl and boy working in the cotton fields of the South, only one-eighth of the price that is being paid to the fellow working in the coal mine, the laborer working on the section. It would stamp him with the same stamp he has always been stamped with: He is raising a slave crop at slave wages, and it is impossible to make the world understand it.

Senator HEFLIN. 64 cents per day?

Mr. WANNAMAKER. 64 cents per day; yes.

The CHAIRMAN. That computation is based on present conditions and costs?

Mr. WANNAMAKER. Yes, sir. That is under present conditions and costs, and in all probability it will be higher next year, for this reason: The farmer may not be able to get cash to operate the farm. He will have to go back to the old system of getting goods in advance, and at interest of about 40 to 50 per cent. He will have to reduce that price in some way, probably by calling his children home from school and putting them back in the field.

I have right now in my pocket a letter like this, bearing on cost. A farmer in the cotton belt, when cotton was 40 cents, wrote me a letter, saying that he had sent his five children to school for the first time, the oldest child being 18 years old, and that he had taken his wife out of the cotton field. They were farming on land that they had formerly owned but now rented, that had come down through the generations. From time to time, he dropped me a letter, saying how elated he was. I got a letter from him the other day, and it shows the trend of mind of these people. Here is what he said: "I w^sh to God Almighty I had never gotten 40 cents for cotton. I have had my children in school. I have had to call them home. They will not work in the field. My wife is discontented. She is not willing to go back in the field."

Senator PAGE. That condition will not continue always.

Mr. WANNAMAKER. It has continued for half a century. The world won't understand it. This country is one country. We have no sections in it. It is one people, and God Almighty knows that it is a fact that there is no section in this country to-day but realizes the condition of the agricultural producer. Not until that condition is remedied can we have prosperity for the people in that section, and your civilization comes from the country. If this situation is not rectified, your cities are going to suffer for it. A recognized authority recently stated that unless relief is speedily extended to agriculture it means the certainty of famine supplies and famine prices. All agricultural products are being murdered. The producers are helpless. They are not to blame for the predicament in which they were caught. It's our duty to relieve them. If we of the cities and great commercial lines fail to perform this duty, we ourselves will pay a fearful penalty.

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branches of farming, dairying, live-stock producing, and many other lines of business, representing practically every State in the Union.

At this conference, I read to the Secretary of the Treasury, in the presence of 60 representatives, representing practically every State in the Nation, the letters he had written me officially, which were in line with those statements, in which letters he stated that the policy of the Government was opposed to the exportation of American products, as it would result in increasing the indebtedness of Europe to the Government of America. I also read a letter from him in which he quoted a prominent Government official as saying that prices of agricultural products and commodities must go lower. I pointed out that the removal of the War Finance Corporation, after the producer had planted his crop with the understanding that the War Finance Corporation would function for one year after the ratification of peace and with the further understanding that there was urgent demand for American agricultural products in Europe for the purpose of enabling them to rehabilitate and start to pay their enormous war debts, had closed the market to 66 per cent of the American crop and would bring wreck and ruin to American agriculture and commerce. I pointed out to Secretary Houston at that time, and again reiterated my previous statement, that this policy of drastic artificial deflation would have the same effect that it had had in all of the records of history, that it would result in suicide, insanity, and bankruptcy, and in bringing suffering to millions of innocent people. I pointed out that we had the opportunity of world trade; that as a result of the five years of the World War sociological and economic changes which probably would not have developed in 500 years of natural evolution had taken place; that these changes would compel the acceptance of and adjustment to an elevated standard of values as a permanent inheritance.

He expressed himself, however, as determined to adhere to the policy of deflation.

All efforts to induce him to reinstate the War Finance Corporation proved unavailing. He stated that the Government would take no action that would influence, directly or indirectly, the maintenance of the then existing prices, nor would he permit the functioning of the War Finance Corporation. All efforts to gain relief, cooperation, or assistance from the Secretary of the Treasury failed, he taking the position that agricultural products should be marketed as soon as harvested; that orderly marketing meant immediate sales; that holding tended to interfere with orderly business and commerce; that the producer's business was to produce.

Regardless of every assurance that assistance was not desired for the purpose of holding for speculation, but only for the purpose of orderly marketing and harvesting, he insisted that the producers should not expect assistance for this purpose, even through existing financial machinery; that if they would harvest and sell their products they would be able to finance same without assistance.

The Secretary of the Treasury stated emphatically that prices must go lower; that we must return to prewar conditions, although earlier in the meeting he had strenuously denied that he had issued such statements. In addition to this, the Secretary of the Treasury severely criticized the efforts to help the agricultural producers, regardless of the fact that it had been explained that there was no market for agricultural products except in a limited way at far below the cost of production; that confidence had been destroyed as a result of the policy enforced in Washington.

The Secretary of the Treasury insisted that the only course open was to dispose of the products, accept losses, and redouble our efforts in production with a view of recovering the losses so incurred; that lower prices were a necessity and certainty; that inflation could not remain.

An effort to hold a conference with the President was declined on account of the sickness of the President. An effort to hold a conference with his Cabinet proved unavailing. Conferences were held with the Federal Reserve Board, a plea being made by a personal representative of each line of agriculture and live-stock raising for a lowering of the rediscount rate and an immediate reversal of the policy of contraction of credits and currency. The plea put forth by the various representatives was indorsed by Senators and Congressmen. The condition of the agricultural producer, being without markets except in a limited way at less than one-third the cost of production, was pointed out. The gold reserve justifying additional circulation and credits was referred to. The earnings of the Federal Reserve were cited. All efforts to secure relief again failed.

In my testimony before the Joint Agricultural Commission I showed that the world's debts have increased from \$43,106,495,000 in 1913, approximately to \$300,000,000,000 in 1920, or over 600 per cent, while the great majority of nations are still finding it necessary to increase their outstanding obligations to provide funds necessary to meet their budget requirements. The debts of the United States Government have increased from \$1,028,564,000 to \$24,062,510,000 in a similar period, which includes moneys due from foreign governments. The effect of this added burden is expressed in taxation, either direct or indirect, in the form of increased costs on all transactions which permeate and multiply and enter into the affairs of the world's entire population, increasing the cost of all production, distribution, and consumption, and exacting its tithe at every turn from producer to consumer.

Paradoxical as it may seem, deflated values mean increased cost of production, for deflated values mean reduced revenues, and reduced revenues mean increased taxation, and increased taxation means added cost of production. The world can not incur a debt of such magnitude upon a basis of inflated values and liquidate it upon the basis of deflated values. In accumulating this vast increased financial burden for war debts we will be compelled to follow the history of natural progression and adapt ourselves to the changed conditions, rather than attempt under the radical change in economic conditions to return to a pre-war basis. A return to prewar basis would wreck every existing Government. Ignoring this fact in the effort to force prices back to a prewar level has paralyzed agriculture, throttled commerce, stagnated civilization, and imposed burdens upon us that will require unborn generations to discharge.

Five years of war created sociological and economic changes which would not have developed in 500 years of natural evolution, changes which will compel the acceptance of and adjustment to an elevated standard of values as a permanent inheritance. Following all wars we have inflation, due to destruction, nonproduction, and to the fact that Governments inflate for the purpose of financing wars. We find through the records of history from a period of 1,000 years before the birth of Christ that from time to time great money powers have taken advantage of the people during these inflated periods and have gained vast wealth at the expense of the masses through artificial deflation, conducted by usurious interest rates, contraction of the currency, and restriction of credits.

I heartily indorse the Federal reserve system as originally designed and established for the purpose of supplying a sound and elastic currency in this country. I do not forget that it saved this Nation from disaster in war. However, the law should be amended so as to prevent the possibility of a recurrence of the disastrous conditions created as a result of the policy adopted in the operation of said system. I feel that the administration of the system is subject to severe criticism. From the signing of the armistice for a period of approximately 18 months we were enjoying prosperity. However, the enforcement of the policy of the Federal reserve, which was adopted in 1920, wrecked the most splendid wave of business activity that this country ever saw by economic blundering.

The keynote of the Federal Reserve Board's policy you may learn in the Federal Reserve Board Bulletin of August, 1921, in Gov. Harding's letter addressed to Senator Reed Smoot:

"The pyramiding of credits was proceeding at an alarming degree, and it was evident that if expansion should continue to proceed at such a rapid rate it would be merely a question of time until the credit structure of the country would explode."

To avert that conjectured unhappy event, the Federal Reserve Board in hysteria applied the screws that resulted in a commodity panic, widespread loss, and business depression.

May we ask if it was intelligent to compel a horizontal liquidation of bank credit—certainly it would not be intelligent to compel a horizontal liquidation of bank deposits? All that was required of the reserve board was to compel a vertical liquidation wherein the abuses lay. A certain British statesman in a trying situation wherein our country was involved pointed out the folly of trying to indict a nation, yet we were guilty of a like folly in trying to liquidate a nation's business en masse. Sound commercial banking is based on the seasonal liquidation of bank loans. With commodities back of the loans, and a fair ratio in reserves, there can be no inflation if commodities are valued with an eye to mean prices. Did the reserve board in its panicky fear that "the

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credit structure would explode" lose sight of the fact that the consummation of the seasonal transaction on which the credit was based is the perfect and complete means of liquidation, and that if a pyramiding of credits was occurring the remedy was one of individual rather than mass application? In fact, apart from seasonal liquidation as goods move to the consumer, every banker knows that there can be no liquidation of bank loans at other than panic prices. Furthermore, the comment of the international gold movement during 1921, due to the emission of paper money abroad and the consequent operation of Gresham's law resulting in the import of \$800,000,000 of gold—a fact not impossible of forecast in 1920—quite reduces the policy of our reserve board to absurdity. The enormous profits made and surpluses piled up in the various regional banks are a departure from the public purposes for which they were established that the precipitate contraction of credits through an autocratic and unsympathetic policy, promulgated by the Federal Reserve Board at Washington, was in part responsible for the toboggan slump in general values that entailed the loss of billions of dollars to this country. Had it not been for the enforcement of this policy by the Federal Reserve Board we would to-day be in the midst of prosperity. Deflation would have come upon the law of supply and demand in an orderly manner; had it not been for the enforcement of this policy there would have been a more equal distribution of wealth than at present, and instead of the agricultural South and West being absolutely dependent upon the great commercial centers they would have been enjoying economic and commercial freedom, thus bringing greater prosperity, not only to these sections but to the entire Nation.

Senator PAGE. You say the cost of this last crop was 30 cents.

Mr. WANNAMAKER. I said the cost was 31 cents. You have got to get the general average cost. I have no idea in the world, if you are going to buy the cotton, that you will set a cost at 31 cents.

Senator HARRELD. I am seeking information on it. I have got to be shown before I can be in favor of it. I will say that to you.

Mr. WANNAMAKER. You have got to get your general average cost, like they did on the Egyptian cotton. You would find that the Government would have to take a very small amount of the cotton.

The CHAIRMAN. Of course, if the Government did buy it all, the Government would fix its own price and get its money back, I suppose.

Mr. WANNAMAKER. But you won't need to buy this cotton. You are going to have competition in the market. The Government is not going to get it all. The same way with wheat. And in Brazil, where they have had permanent stabilization of prices, they can not buy all the Brazilian coffee crop.

Senator PAGE. I don't know that you can promptly raise the price from 15 to 20 cents by legislation. I don't believe it now. I would have to be shown. I don't take any stock whatever in raising the price from 15 to 25 cents by simple legislation, because it means we have got to take more money than we can raise, if we are going to buy all the wheat, corn, and cotton that is grown.

Mr. WANNAMAKER. But England raised the price of the cotton crop 6 cents a pound, and she didn't buy but very little cotton.

Senator PAGE. That is an argument against my theory, but my theory remains to be changed by argument and not by statements. If you should say we want to take \$5,000,000,000 and put it into a pot to take care of stabilization, and you should ask that to help general business in cotton I would vote it in a minute. I would not at all hesitate to put in any reasonable sum, if it would affect the proposition, but I do not believe we should say we are going to borrow forty or fifty or a hundred billion dollars to buy all the cotton, corn, and wheat crops.

Mr. WANNAMAKER. My heavens, you would not have need for any such sum.

Senator PAGE. You say we would not, but I tell you when you say the price is 15 cents and we undertake to raise it to 20 cents we have got to buy it.

Senator HARRELD. In other words, if the Government goes into a thing of that kind it will affect our rate of exchange.

Mr. WANNAMAKER. That is the first point.

The CHAIRMAN. Gentlemen, let us not argue this among ourselves. We will do that when we get through with the witness. We have other witnesses to hear. We are not going to get through with Mr. Wannamaker at the progress we are making.

Senator HEFLIN. I would say that your platform suggested a guaranty of reasonable profits to the manufacturers in 1908—your party platform.

Senator PAGE. I think we never got that in concrete form so we were compelled to buy.

The CHAIRMAN. Let us let the witness go ahead.

Senator HARRELD. I have got an absolutely open mind on it. I am seeking information.

Mr. WANNAMAKER. I want to make one other reference to the stabilization. On my committee is the president of the New England Manufacturers' Association, whom I have known for years. He is one of the big business men up there, and I think you will find he himself will approve a proposition like this. However, I have never discussed this proposition with him. I am not positive he will. I draw that conclusion from having sat on the committee with him. It is an emergency measure which we have.

Senator PAGE. As an emergency, I am disposed to be liberal in doing anything that will sustain the market for agricultural products.

Mr. WANNAMAKER. I am very glad to know that. We agree exactly on that.

Senator LADD. What I want to ask is, for middling spot cotton the parties who drew this bill, the experts in the House, placed it at 18 cents. What have you to say about that?

Mr. WANNAMAKER. That price would be entirely too low. If you would get 18 cents per pound for the cotton, it would give the man and his wife and two children working in the field 64 cents per day.

The CHAIRMAN. You mean 64 cents apiece, or the aggregate?

Mr. WANNAMAKER. No, sir; for the whole aggregate. I will read the figures out, if you would like to have me do so. I am going to turn this over to your stenographer. That is worked out here in detail.

Aside from that, Senator, at that price of 20 cents a pound it would give to the white man and the white woman and the white girl and boy working in the cotton fields of the South, only one-eighth of the price that is being paid to the fellow working in the coal mine, the laborer working on the section. It would stamp him w'th the same stamp he has always been stamped with: He is raising a slave crop at slave wages, and it is impossible to make the world understand it.

Senator HEFLIN. 64 cents per day?

Mr. WANNAMAKER. 64 cents per day; yes.

The CHAIRMAN. That computation is based on present conditions and costs?

Mr. WANNAMAKER. Yes, sir. That is under present conditions and costs, and in all probability it will be higher next year, for this reason: The farmer may not be able to get cash to operate the farm. He will have to go back to the old system of getting goods in advance, and at interest of about 40 to 50 per cent. He will have to reduce that price in some way, probably by calling his children home from school and putting them back in the field.

I have right now in my pocket a letter like this, bearing on cost. A farmer in the cotton belt, when cotton was 40 cents, wrote me a letter, saying that he had sent his five children to school for the first time, the oldest child being 18 years old, and that he had taken his wife out of the cotton field. They were farming on land that they had formerly owned but now rented, that had come down through the generations. From time to time, he dropped me a letter, saying how elated he was. I got a letter from him the other day, and it shows the trend of mind of these people. Here is what he said: "I w'sh to God Almighty I had never gotten 40 cents for cotton. I have had my children in school. I have had to call them home. They will not work in the field. My wife is discontented. She is not willing to go back in the field."

Senator PAGE. That condition will not continue always.

Mr. WANNAMAKER. It has continued for half a century. The world won't understand it. This country is one country. We have no sections in it. It is one people, and God Almighty knows that it is a fact that there is no section in this country to-day but realizes the condition of the agricultural producer. Not until that condition is remedied can we have prosperity for the people in that section, and your civilization comes from the country. If this situation is not rectified, your cities are going to suffer for it. A recognized authority recently stated that unless relief is speedily extended to agriculture it means the certainty of famine supplies and famine prices. All agricultural products are being murdered. The producers are helpless. They are not to blame for the predicament in which they were caught. It's our duty to relieve them. If we of the cities and great commercial lines fail to perform this duty, we ourselves will pay a fearful penalty.

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Mr. HAGAN. That is outside of his land.

Senator KENYON. You are not counting any particular stock in that?

Mr. HAGAN. Nothing except the work animals.

Senator KENYON. I should think it would be more than that in Iowa.

Mr. HAGAN. That is a start now on a small farm, you understand. I farm 960 acres—that is, I own 960 acres. They are all farm lands, and for the past five years it has been continuously losing me money. Ordinarily I raise about 500 acres of wheat. Last year I cut that down to 210 acres, and this year to 150, and would cut it lower than that were it not for the fact that I want to seed it down. I am getting away from the grain farming. I can not afford it. Some farmers who must, of necessity, continue in grain farming are losing money and are getting in deeper and deeper.

At a dinner last night at which Mr. Hoover spoke to us he said that the way to stabilize prices was to cut down production and the farmer only raise what the farmer needed himself. I asked this question: If he is going to stabilize prices by cutting down production to what the farmer needs himself, how is he going to pay his debts? Most of the farmers are in debt now. "Well," he said, "the only way the farmer could pay his debts would be to pay it out of surplus." Then I wanted to know what commodity he was going to raise as a surplus, to make any money on, and he did not know. So it is just a circle going around and around.

The CHAIRMAN. Well, if the farmer did not raise anything except what he wanted himself I wonder what these other fellows would do who are not farmers?

Mr. HAGAN. They would import their goods, and, in my opinion, that is where we are going, and we are going there rapidly.

Senator KENYON. And what would become of a Nation like this when we reach that condition?

Mr. HAGAN. We would become a commercial Nation.

Senator KENYON. Like Great Britain?

Mr. HAGAN. Yes, sir. I do not believe we want to do that. It occurs to me as though we had better save agriculture now while we have the opportunity.

Senator PAGE. I do not think anybody debates that proposition. We want to do all we can to save agriculture. The point I would like to get at here is how are we going to do it and what we are going to do. You say that by stabilizing we are going to have the Government step in and buy all the corn?

Mr. HAGAN. No; I would not do that.

Senator PAGE. When you stabilize and make a price at which the Government would take whatever is left over you draw a pretty good percentage, do you not?

Mr. HAGAN. I do not think you would draw any more than the surplus. I do not know why you would, because you must have the others.

Senator PAGE. I am not questioning that.

Mr. HAGAN. Yes.

Senator PAGE. I think my heart is big enough to want to take in everything—all the products of the farm, as far as it can be done.

Mr. HAGAN. It is a question of how you are going to do it.

Senator PAGE. Now, when you talk about stabilizing, I understand that there is but one way to stabilize, and that is for the Government to step in and say, "We will take your corn, we will take your wheat, we will take your cotton, and pay a price that covers the cost." Is there any other way to do it?

Mr. HAGAN. I do not think you would have to include any more than the surplus.

Senator PAGE. I know, but it would take whatever would happen to be coming.

Mr. HAGAN. Yes, sir.

The CHAIRMAN. I think, Mr. Hagan, Senator Page is now speaking of the law. You would have to provide by law, he says, for the purchase of the entire crop. If it was a crop at a certain figure—

Mr. HAGAN. You would want the law broad enough to cover it.

The CHAIRMAN. Yes; that is what he says. Of course, it does not follow that you would have to buy it all, because it never would be offered. As I understand your position, there never would be anything offered, except the surplus.

Mr. HAGAN. That is it exactly.

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The CHAIRMAN. So that the law would have to provide for the making of this offer of actual cost of production; that it would be confined, as a matter of fact, to the surplus, and much less than the surplus, perhaps, most of the time.

Mr. HAGAN. Yes.

The CHAIRMAN. It never would exceed the surplus.

Mr. HAGAN. It never would exceed the surplus, in my opinion.

Senator PAGE. Now, one word there, and I do not want to interrupt too much, Mr. Chairman, but what assurance have we that if we should make the price of cotton based on its cost, which you say is 31 cents, and we would open our doors and take all that came, that there would not be practically all, or you might say, at least, a greater part of the cotton that would be immediately offered for sale?

Mr. HAGAN. I do not know so much about cotton, because I am not from a cotton district, but the same principle, I presume, would apply. The factories would need the cotton, and if the United States Government should buy all of it, from whom would they buy the cotton that they needed, when they ran out of the others? They would buy it of the United States, and if the United States Government sets that price above what they pay to the farmers, so as to cover the operating and handling expenses, that is the price they would have to pay to get it.

Senator PAGE. Then, as a matter of fact, you do not believe that it would be a very expensive plan for us to say, "Gentlemen, we will stabilize the prices by guaranteeing to take all you want to bring to us of cotton, wheat, and corn; we will pay that; we will take it, and we will take our chances on the Government being subject to much loss." You do not believe it would be subject to much loss, but what assurance have you that it would not be?

Mr. HAGAN. I do not think that it would be subject to any loss at all, and I think about the only cost to the Government would probably be, unless you covered that in the selling price, you might find that they would make an appropriation sufficient to cover the salaries, etc., of the men that handle it, and probably the interest on the loans from the Government, but no more, or it may not be that much. But agriculture ought to be worth that much to us.

Senator PAGE. I wanted to get your view on that.

Mr. HAGAN. Yes.

Senator PAGE. I believe that if we could stabilize the prices of wheat, corn, and cotton, if we could do it for a billion dollars or \$2,000,000,000, and I do not know but \$5,000,000,000 the interests of agriculture should be subserved.

Mr. HAGAN. Yes; absolutely.

Senator PAGE. By putting up that much?

Mr. HAGAN. Yes; that is the viewpoint that I would take of that as a farmer. In our wheat regions now, suppose you guaranteed for 1922 a minimum price of \$1.50 by the Government. The farmer is already borrowed up to a considerable extent at his local banking institution, and the local bank is afraid to loan him any more money—not because he can not raise any crop, but because he does not know what he is going to get for that crop in the fall, and if there was a guarantee of the cost of production then the local bank could loan him some more money, and he could go ahead and raise his crop for this year in a good husbandlike manner, and his grocery man, his hardware merchant, his dry goods merchant, and the other fellows who sell the necessities to him would be willing to sell him something on credit. That would help the retailer and the wholesaler, and then the wholesaler would get more money to the manufacturer, and the manufacturer who is closed up now would put his men to work, because he would have an outlet for his goods. You would thereby increase not only the farmer's buying power, but the laborer's buying power as well and that would stabilize all business. That is the viewpoint I have of it.

Senator McNARY. Let me ask you this question at this point: You have described very lucidly your theory regarding this matter. What is the Government going to do with the surplus at the end of the season?

Mr. HAGAN. What is it going to do with its surplus at the end of the season?

Senator McNARY. Yes. They guarantee your wheat at \$1.50 a bushel, and we have a production, we will say, of 1,000,000,000 bushels, and consume 600,000,000 bushels. We have 400,000,000 bushels left at the end of the year. What would become of the surplus?

Mr. HAGAN. I think your figures are probably a little high.

Senator McNARY. Well, if it is only a peck, the principle is there. We have had that much surplus.

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Mr. HAGAN. The people who live in the countries that eat bread will have to buy it.

Senator McNARY. They would have to buy it?

Mr. HAGAN. Absolutely, if they are going to have that bread.

Senator McNARY. Suppose the world's production is twice in excess of the consumption. I picked up the paper yesterday and it stated that it looked as though the production would be larger this year than it had been since before the war.

Mr. HAGAN. We read that ever year in the newspapers.

Senator McNARY. Suppose these other countries raise enough wheat to sustain them and there is no demand for the surplus?

Mr. HAGAN. You mean all the countries of the world raise enough to sustain them?

Senator McNARY. Suppose there is no demand for export, that there is no export demand, and that there is a surplus on the hands of the Government. What will the Government do—carry that until next season and go ahead and try to stabilize the prices by guarantying for the season to follow?

Mr. HAGAN. Of course you are making an assumption; you are assuming something that never has happened.

Senator McNARY. Well, there happens to be a surplus to-day of corn and wheat.

Mr. HAGAN. But it is possible.

Senator McNARY. I am talking about a thing that is in existence at this minute.

Mr. HAGAN. Well, what would happen if we have that surplus and do not guarantee the price?

Senator McNARY. Well, I am not quarreling here; I want to get your notion on that. That is a very vital point. You have to-day a very large surplus of corn and you would stabilize it by giving the farmer the cost of production and a small profit. He is entitled to that unquestionably. I do not say by governmental action, but he is entitled, under economic laws, not only for his own good but for the welfare of the country. But what are you going to do with the hold-over, we will say, this year, of 200,000,000 bushels of corn?

Mr. HAGAN. It might be possible that the Government might have to carry a part of that over. I do not think it is at all possible that they would have to carry all the surplus, but they might have to carry a part of it.

Senator PAGE. You would place an embargo upon the surplus of other countries that wished to export to this country?

Mr. HAGAN. I think it ought to be done; yes.

Senator PAGE. You would have an embargo?

Mr. HAGAN. Yes; I think that is one thing that has hurt our wool price, the large shipments of wool from other countries into the United States, after our Department of Agriculture here had told it to raise sheep, and we got into the sheep game pretty well and then all the gates of commerce were opened, and after that sheep were shipped to the United States in such quantities that down went the price.

Senator HEFLIN. Would you favor the embargo that was employed during the war as an emergency measure?

Mr. HAGAN. Yes; I think so.

Senator HEFLIN. As was employed in the case of peanuts, peanut oil, and the like?

Mr. HAGAN. I think there ought to be something of that kind to protect the producer in this country.

Senator HEFLIN. And you are proceeding upon the theory that we are now in a reconstruction period, and that we are suffering from the evil effects of the war?

Mr. HAGAN. Yes, sir.

Senator HEFLIN. And that we are justified in doing extraordinary things to get our people back on their feet?

Mr. HAGAN. Yes, sir. In other words, most of the farmers say, "We are still at war; it is not settled yet; we are right in the very effects of it, and until that is removed we need the protection."

Senator HEFLIN. You are asking for this as a reconstruction measure to restore agriculture to its normal state?

Mr. HAGAN. Yes, sir.

The CHAIRMAN. Is that all, Mr. Hagan?

Senator LADD. There is one other question I want to ask Mr. Hagan, Mr. Chairman.

The CHAIRMAN. All right.

Senator LADD. Mr. Hagan, in this bill, the price of wheat is fixed at \$1.50?

Mr. HAGAN. Yes, sir.

Senator LADD. I have just received some protests from North Dakota, saying that that is not sufficiently high; that it should be fixed at \$2. That is the position taken by the tri-State grain growers, and another organization fixed it at \$2.20 as the price that it should be stabilized at. These are not my figures, but have been made up by people who have made a study of it and have tried to stabilize it.

Mr. HAGAN. In our State in 1919, the State agricultural department, which studies the cost of production, claim in their bulletin that it costs \$2.75 a bushel to raise wheat in North Dakota. In 1920 they claim it cost \$2.44, and I think those figures are approximately correct.

The CHAIRMAN. Mr. Hagan, if I might interrupt you there.

Mr. HAGAN. Yes, sir.

The CHAIRMAN. Don't you think that if we passed some law that would fix the minimum price for the purpose of stabilizing any product, the law itself ought not to fix the price, but it should be fixed by a commission provided for by the law, because what would be the price one year would not necessarily be the price another year? In other words, it would vary.

Mr. HAGAN. It will vary; yes; and I think this bill provides very nicely for it. What the farmer wants now, and what the small business man wants now, is this, throughout the country, in the agricultural districts, some assurance of what he is going to get in 1922.

The CHAIRMAN. Yes.

Mr. HAGAN. And that might just as well be fixed now as at any other time; in fact, better now than at any other time.

The CHAIRMAN. Well, if the law provided that it should be the purpose of this commission which would be provided for by the law to fix the price at the cost of production, then everybody who was in the business would know that they will at least get their cost out of their product, or if the law was so fixed that it should be cost of production plus a profit, they would know that, but they would not always know what the price was going to be until it was fixed by the commission, which commission would have to study the question continually and reach a conclusion as to what the cost was.

Mr. HAGAN. Yes. In this case it provides for 1922.

The CHAIRMAN. Yes.

Mr. HAGAN. And I think it is necessary to have that in the law now for 1922. After that, a commission might do it, but the commission, of course, should be appointed soon, so that they could begin to study the cost of producing the wheat this year, and prior to next year, so that they could fix such a price that the Government would not be loser, and still give the farmer a reasonable price for his grain. All business depends upon farming, and they would also know that, and they could go on without any difficulties or radical changes.

Senator LADD. This bill provides, does it not, Mr. Hagan, that for the succeeding years, in August of this year, that is—in August, 1922, the board that is provided here shall meet and fix the price for the coming year, and in that way, year by year, the price would be stabilized, depending on conditions after the study had been made?

Mr. HAGAN. Yes. Now, in reply to your question, Senator, I think that would work out very nicely. Answering this gentleman's question—

The CHAIRMAN. Senator McNary.

Mr. HAGAN. Senator McNary's question. Suppose, now, the United States Government, in buying this surplus, did not have a market for it, as you say might happen, and this commission met on the 1st of August—is that the date?

Senator LADD. The 1st of August.

Mr. HAGAN. On the 1st of August, and know that. Then they could lower that price to such a degree that their surplus would be moved the next year, and it would also cut down the acreage of that particular commodity somewhat, because the price would be low enough so that it would do that.

Senator HEFLIN. In line with Senator Norris's suggestion, Mr. Hagan, we ought to have the commission to take testimony and to see what is the cost of the production of cotton, of wheat, of corn, and of wool?

Mr. HAGAN. Yes, sir.

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Senator HEFLIN. Then the commission could say what is a reasonable price, one that will cover the cost of production and yield a fair profit. We have a precedent for that in the Interstate Commerce Commission. The Interstate Commerce Commission takes testimony and fixes the rates for the railroads.

Mr. HAGAN. Yes.

Senator HEFLIN. Covering the cost of service and everything?

Mr. HAGAN. Yes.

Senator HEFLIN. And giving them a profit?

Mr. HAGAN. Yes.

Senator HEFLIN. And that is levied against the people, the public?

Mr. HAGAN. Yes, sir.

Senator HEFLIN. So that this commission that he suggests. I take it, would say what is the cost of production for farming, and what would be the price for the public to pay? They do that with the railroads now.

Mr. HAGAN. Yes; we do that with the railroads, and while the railroads are an essential thing to have, nevertheless, they are not as essential as agriculture.

Senator HEFLIN. We are doing that as a permanent thing for the railroads, and we are suggesting something here to try to get agriculture back on its feet, as a reconstruction measure.

Mr. HAGAN. I would like to read a part of a letter into the record, if you please. I bought a binder this year from my local dealer for \$270. In 1915 I paid \$165. In 1916 I paid \$165 for the same kind of a binder, the same size. I bought this binder on the 20th day of July, 1921, at \$270, and gave my note for it at 10 per cent interest from July 20.

The CHAIRMAN. 1921?

Mr. HAGAN. 1921; yes.

The CHAIRMAN. Yes.

Mr. HAGAN. And because of the poor crop condition—not so much because of the poor crop condition as the poor price condition—I felt as though I would be unable to pay all of that, or, at least, some one would have to wait. So I wrote him a letter and asked him if he would not carry a part of it over, and I also told him in the letter that I did not see any reason why the companies that manufactured the machinery could not carry a part of it, so that the local dealer would not have to carry it all. This is an excerpt from the reply, that I want to read.

The CHAIRMAN. That reply is from your local dealer from whom you bought the binder?

Mr. HAGAN. Yes, sir; L. E. Albright, Deering, N. Dak. It says:

"John, the way you write you seem to think that the machine company will take papers for machines sold. In this you are mistaken, as they will not. Up until two years ago they would, but not any more. Their contract now is pay in the fall what you order during the summer, if it is sold. This applies to machines only. Repairs are net 30 days, and twine October 1, with a letter from the company about every week during the selling season advising you not to sell anything that you can not collect on due date."

So you see the machine companies are not assisting the farmers to carry any part of that burden.

The CHAIRMAN. Is that all of that letter that you want to read?

Mr. HAGAN. Well, let me see.

The CHAIRMAN. You need not read it all unless you want to, but I want to ask you a question about it when you are through with it.

Mr. HAGAN. Yes, sir. I might include this:

"* * * and then they write you that you can do as you like as to selling on time, just so that you will be able to make settlement on due date, which they must have this fall."

The CHAIRMAN. What kind of a binder was that, Mr. Hagan, that you bought?

Mr. HAGAN. A John Deer binder; 8-foot, 4 horsepower.

The CHAIRMAN. By whom was it made?

Mr. HAGAN. By the—

The CHAIRMAN. The International Harvester Co.?

Mr. HAGAN. No; I do not think the International manufactures the John Deer.

The CHAIRMAN. Well, does not the International Harvester Co. have practically a monopoly of the farm-implement business?

Mr. HAGAN. Yes; they do.

The CHAIRMAN. You have not mentioned that, but do you not think that this monopoly has something to do with the farmer's condition, in that they make

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him pay a price that would not be as great if there was real competition in the binder business?

Mr. HAGAN. Yes; I think that does make it difficult for the farmer—that is, they can control the price.

The CHAIRMAN. The fact that this man states things like that, that up until a year ago they would carry paper over—

Mr. HAGAN. Yes, sir.

The CHAIRMAN. Now they have to have cash?

Mr. HAGAN. Yes, sir.

The CHAIRMAN. Is there any other place to go that you know of to buy your farm machinery?

Mr. HAGAN. No, sir.

The CHAIRMAN. Except some one who represents the International Harvester Co.?

Mr. HAGAN. No; there is not any other place.

The CHAIRMAN. Did you know that the court had found that that was a trust a few years ago and ordered it dissolved?

Mr. HAGAN. I know the courts were making an investigation. I do not just recall what they did.

The CHAIRMAN. Did your farmers' organizations find out that after the court had rendered a decree dissolving it and holding it as a trust, the Department of Justice agreed that the International Harvester Co. got a decree that was nothin' but a camouflage and it did not dissolve it at all, and that is the reason, probably, that they are able to hold all the farmers up now.

Mr. HAGAN. I know the farmer does not think it is dissolved.

The CHAIRMAN. Technically, it was dissolved, and they could prove that by a decree of court, but McCormick and Deering are the largest manufacturers of those machines, are they not?

Mr. HAGAN. Yes; manufactured by the International.

The CHAIRMAN. They are both manufactured by them?

Mr. HAGAN. Yes, sir.

The CHAIRMAN. Since the dissolution?

Mr. HAGAN. Yes, s'r.

The CHAIRMAN. The same as before the dissolution?

Mr. HAGAN. Yes, sir.

The CHAIRMAN. By the same corporation?

Mr. HAGAN. I think so.

The CHAIRMAN. The International Harvester Co.?

Mr. HAGAN. Yes, sir.

The CHAIRMAN. So that, as a matter of fact, this dissolution of this great trust, as far as the farmer was concerned, was a kind of a bluff, was it not?

Mr. HAGAN. It looks to us like it; yes, s'r.

The CHAIRMAN. That is all I want to ask you on that. If that is all, Mr. Hagan, we will hear Mr. Simpson now.

Mr. HAGAN. I might say this, if you please.

The CHAIRMAN. Yes.

Mr. HAGAN. There are a great many farmers that are losing their homes. A great many of them are taking the bankruptcy route. It looks to me as though there are two remedies. One is bankruptcy and the other 's suicide. I do not think that either route is very helpful to the Nation.

Senator HEFLIN. Mr. Hagan, I take it from your statement that you feel that if the Government were to say that for the year 1922 cotton shall not sell for less than so much per pound and corn shall not sell for less than so much per bushel, and wheat shall not sell for less than so much per bushel, that would stabilize the price; that the manufacturers of meal and other products from corn, of wheat from flour, and of clothing from cotton, would take notice from that and govern themselves accordingly, that the buying public would realize that it had to pay that price, the crops would be consumed, and the Government would not really be out any money?

Mr. HAGAN. Yes, sir.

Senator HEFLIN. In buying the crop?

Mr. HAGAN. I do not think the Government would be out any money. During the war, when we had the maximum price on wheat fixed at \$2.20, and later \$2.26, at Chicago, for No. 1 Northern or its equivalent, the Government, in handling that wheat, did not lose any money; not only did it not lose any money, but it made some money.

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Senator HEFLIN. Between fifty and a hundred million dollars.

Mr. HAGAN. Yes, sir; something like that; and those people other than the Government who wanted that wheat paid for it, and they will do it now, because they have to have the wheat to feed hungry mouths, and they are just about the same one time as another, throughout the world.

The CHAIRMAN. We will hear you now, Mr. Simpson.

STATEMENT OF MR. JOHN A. SIMPSON, PRESIDENT OF THE FARMERS' UNION OF THE STATE OF OKLAHOMA.

Mr. SIMPSON. I was on a committee of this conference, and the subcommittee of which I was a member was on price fixing and marketing system. We had a considerable argument in that subcommittee over the proposition of asking Congress to fix a minimum guaranteed price. I had to make a minority report from the subcommittee to the general committee. After a discussion of three or four hours, we finally continued this in the general committee, and last night in the conference they unanimously adopted it, and I want to read this in the record.

The CHAIRMAN. Let me understand you on that. Do you mean you made a minority report?

Mr. SIMPSON. A minority report from my subcommittee to the general committee.

The CHAIRMAN. And that minority report was agreed to in the general committee, was it?

Mr. SIMPSON. Yes, sir.

The CHAIRMAN. And it was agreed to in the conference?

Mr. SIMPSON. In the conference last night.

The CHAIRMAN. What was that report?

Mr. SIMPSON. I am going to read it.

Senator HARRELD. Senator Norris said the conference agreed to it last night. You mean that the general committee agreed to it?

Mr. SIMPSON. No; the conference. The subject is price adjustment, and it reads:

"Agriculture is necessary to the life of the Nation, and whereas the prices of agricultural products are far below the cost of production, so far below that relatively they are the lowest in the history of our country;

"Therefore, it is the sense of this conference that the Congress and the President of the United States should take such steps as will immediately re-establish a fair exchange value for all farm products, with that of all other commodities."

We put it in that form, as it was offered as a resolution.

Senator McNARY. Is that as to the guaranty?

Mr. SIMPSON. Yes, sir. We put it in that form, because we wanted to make it broad enough so that you might assist in any other way besides guaranteeing the minimum price.

Senator McNARY. Well, I want to get the state of mind of the conference. I read in the paper this morning that a direct resolution for stabilizing, for paying a minimum price on agricultural products, was voted down. If the paper was wrong on that, I would like to know it.

Mr. SIMPSON. There was an outside proposition introduced as an amendment to the longer resolution that included it, but it was explained by the chairman of our committee and by the members of our committee that we included in this the proposition of a minimum guaranteed price and anything else that you might do to get for us the prices that would help us. As Mr. Hagan has told you, we would only have to give so many bushels of wheat to buy a binder.

Senator KENYON. How would you do it? Suppose you were a Member of Congress and had this in mind, how would you do it?

Mr. SIMPSON. I would give these farmers the minimum guaranteed price for 1922.

Senator LADD. You said you made a minority report. Do you mean by that that the subcommittee was made up of farmers who were opposed to it, and was the subcommittee made up of others? I am curious to know what the committee was composed of and how it happened that there was a minority report.

Mr. SIMPSON. They were made up of members of this conference—not all farmers.

Senator LADD. How many members were on that subcommittee?

Mr. SIMPSON. About eight.

Senator LADD. How many were farmers and how many represented other occupations? I would like to have that for my own information.

Mr. SIMPSON. Well, Mr. Julius H. Barnes was on there. He was not a farmer. I stood up and said, "Gentlemen, I am the only man on this committee who can stand up and say that to-night his wife and children are milking the cows at home." There was not any of the rest of them that could get up and say that; so I was the real "dirt" farmer on the committee.

Senator KENYON. I would like you to give these farmers as quickly as possible a minimum guaranteed price:

Senator McNARY. Does that appertain to all agricultural products, the things that you have had in mind?

Mr. SIMPSON. About three, probably, would cover it.

Senator McNARY. What three?

Mr. SIMPSON. I think corn, cotton, and wheat would probably stabilize the others.

Senator McNARY. What about the fruit man? His trees are deteriorating and he can not properly cultivate, fertilize, and spray, and the pests are devouring them. Do you think he should go it alone?

Mr. SIMPSON. Help him, if you can. I believe about three would cover it.

Senator McNARY. What is your view; what kind of a farmer are you?

Mr. SIMPSON. A general farmer.

Senator McNARY. You raise wheat and corn mostly, do you?

Mr. SIMPSON. Mostly wheat and corn; sometimes a little cotton. I avoid that as much as possible, Senator.

Senator McNARY. You think those three agricultural products should be stabilized by having the price guaranteed?

Mr. SIMPSON. Yes, sir. In other words, Senator, what I think is that agriculture is sick.

Senator McNARY. There is no doubt about that.

Mr. SIMPSON. And it is not just a little case of colic. It is very seriously sick, and what we want now is an hour remedy. You can talk about cooperation and all of those things, but that can not be done inside of years. There is nothing to be done now but an hour remedy, and that is a guaranteed minimum price; that is all.

Senator McNARY. What will it do for the fellow who raises wool and live stock?

Mr. SIMPSON. I think the price of cotton would be reflected in the wool. You can add wool, though, if you like. I think the meat price would be reflected in the price of the corn, and the price of the corn would be reflected in the price of the meat.

Senator LADD. If it takes 12 bushels of corn for 100 pounds of pork, that price is bound to be reflected by the price of corn as it is fixed?

Mr. SIMPSON. Yes, sir.

Senator KENYON. Are you familiar with the ratio that was established during the war?

Mr. SIMPSON. Yes, sir.

Senator KENYON. How did that work out?

Mr. SIMPSON. Well, they did not carry it out. They told us they would give us 13 to 1, but they did not do it.

The CHAIRMAN. They carried it out far enough to have you produce the hogs?

Mr. SIMPSON. But even then they helped us. They put on an average price that helped wonderfully.

Senator HARRELD. A man argued here yesterday that the fact that we put the ratio on hogs did not hold the hogs, or the legislation itself.

The CHAIRMAN. It was not put on by legislation.

Mr. SIMPSON. They told us farmers in the conference that we would have a 13 to 1 ratio, and they told us to go home and breed all the sows that we had. We did that, and then they did not do it.

The CHAIRMAN. Mr. Hoover was to do that. That was a part of his work in control of the Grain Corporation.

Senator HEFLIN. Senator Harrel was talking about the price of cotton.

Mr. SIMPSON. That is the way I understood it.

The CHAIRMAN. Mr. Simpson, I would like to know whether you people down there—that is, outside of the conference—have considered the Australian law, the law which I understand is on the statute books in Australia?

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Mr. SIMPSON. Yes, sir. We have had a conference for that purpose. Senator Pearce is here from Australia now, and I understand this committee will have an opportunity to hear him. He can speak with authority on the conditions there.

The CHAIRMAN. I have asked him to appear before the committee. He was here this morning, but he was just a little bit afraid that, having come here on a diplomatic mission, it would be out of place for him to appear before the committee, so we may not get the benefit of his testimony.

Mr. SIMPSON. I would like to say this, and I had an hour's conference with him and with some of our farmers here yesterday, and this summed up his proposition: They are giving assistance in the way of guaranteed price over in Australia. That sums it up, and he said, "Our farmers are more prosperous now than they ever were before." That is what he said, that they are living in the best homes in which they ever lived, and that practically all of them have been built since the war.

Senator LADD. And what has it cost the Government?

Mr. SIMPSON. It has not cost the Government anything.

The CHAIRMAN. What products have they stabilized, do you know?

Mr. SIMPSON. They have stabilized, by legislative enactment, I believe, wool and wheat, and by financial assistance, all of the commodities, you might say, the fruit and vegetables, and everything.

The CHAIRMAN. What do you mean by "financial assistance"? Does the Government put up the money?

Mr. SIMPSON. The Government owns banks in that country. They are not so much afraid of the word "paternalism" as we are. They own banks, and instead of being called socialistic, the Socialists call it a capitalistic government and howl against it. The banks pay the draft of the farmer when he stores his products in the warehouse. The Government guarantees that that draft will be paid, and the bank holds it there until it is paid, and gets interest. The Government guarantees that the draft will be paid.

Senator HARRELD. You said in the beginning that this resolution was adopted by the conference last night. Is there anything in that resolution as to price-fixing? It does not read that way to me.

Mr. SIMPSON. Senator, I will tell you. It reads that we ask the President and the Congress of the United States to at once take such steps as will get for this 1922 crop proportional prices with other commodities. We are not getting that now.

Senator HARRELD. Do you think that everybody in the conference understood that meaning?

Mr. SIMPSON. Yes, sir. Dr. Bradford Knapp arose, and before they voted, he stated in the general committee, when we adopted this resolution, we adopted it with the understanding that we were changing it to this form to make it broader than this uniform price, that you might do other things.

Senator McNARY. Why did they turn around and defeat the price-fixing when it was specified in the resolution?

Mr. SIMPSON. Because we figured that this covered it.

Senator KENYON. And this other resolution had come from the floor?

Mr. SIMPSON. Yes, sir.

Senator KENYON. And not from the committee?

Mr. SIMPSON. Not from the committee.

Senator KENYON. Did that have something to do with its defeat?

Mr. SIMPSON. Yes, sir; and then, besides, this covers it; that was the argument; that this covered the other.

The CHAIRMAN. Well, I suppose there would not be any objection on the part of the farmers if this was done in any other way, so long as it was done?

Mr. SIMPSON. No; just so you do it.

The CHAIRMAN. You would have Congress to do it?

Mr. SIMPSON. We would have Congress to do it.

The CHAIRMAN. If they can find any other way to do it, you are willing that they should take it?

Mr. SIMPSON. We would be glad, Senator, and there is not any other way, that it can be done unless you do it. We can not do it ourselves. The fruit men, I think, are pretty well able to take care of themselves through cooperation. We will get there some day.

Senator HARRELD. You say that the banks in Australia are owned by the Government?

Mr. SIMPSON. Yes, sir.

Senator HARRELD. So that when the banks are carrying this paper, it is really the Government that is carrying the paper?

Mr. SIMPSON. In a way, it is; yes.

Senator HARRELD. And that system of Government is quite different from our own.

Mr. SIMPSON. Yes; I think so, and it is a reflection upon the intelligence of this Government that our farmers can not pay the interest. Little children down in our section are going barefooted in January, and in Australia they can say that "Our farmers are most prosperous." It is an awful reflection upon the intelligence of this country.

Senator HARRELD. What I am asking you is this: Have you any suggestions to make as to what kind of legislation we have to pass to put us in the same attitude with the Australian Government? Would it not be revolutionary; and would there not have to be a change in our form of Government in order to bring that about?

Mr. SIMPSON. I do not think we could get to that in one season; no, sir. I believe it would be a fine thing for us to begin to study what some other countries are doing.

Senator HARRELD. That is what I am doing.

Senator LADD. Speaking of this bill, do you mean that you approve the principle of this bill?

Mr. SIMPSON. Yes, sir.

Senator LADD. That is what I want to know.

Mr. SIMPSON. Yes, sir.

Senator McNABY. Was this bill before your committee?

Mr. SIMPSON. I do not think this bill was. There was a House bill that was before the committee over there that is similar.

Senator LADD. It is almost identical. It is identical, I think, in principle.

Mr. SIMPSON. The Christopherson bill, is it?

Senator LADD. No; the Sinclair bill.

Mr. SIMPSON. Yes; the Sinclair bill.

Senator McNABY. Was the bill studied and approved by the committee?

Mr. SIMPSON. We simply used it in the discussions.

The CHAIRMAN. There was no action taken on it?

Mr. SIMPSON. Are you waiting to hear somebody else just now?

The CHAIRMAN. We have another witness for this morning.

Mr. SIMPSON. I would like to go into a little detail as to my idea of the thing, and I wanted the committee this morning to introduce this resolution, as one who fought to get it through.

I do not think you have to guarantee the cost of production. I believe if you would guarantee 80 per cent of the cost of production the first year, that is more than the farmer ever averaged in any 10-year period. Guarantee him 80 per cent of the cost of production, with an increase of 1 per cent each month as long as he holds that crop, from gathering time, for 10 months. That would run at the end of 10 months to a guaranty to him of 90 per cent of the cost of production. Now, in the next year, if that farmer did not have any more sense than to plant a big acreage and raise more, start the next year with 70 per cent; guarantee him only 70 per cent. If, on the other hand, Senator Page, 80 per cent was not an incentive sufficient, and it did not put out enough, what you had stored for that year before when it went to a certain percentage above, say 20 per cent above the cost of production, then the Government can begin to sell to save the consumer.

Senator HARRELD. Right there, Mr. Simpson, suppose this bill is adopted. The bill, on these products, is offering him the cost of production, but suppose he says, "The Government is guaranteeing me that much; I will hold for a higher price," and then he refuses to sell, just like he did last year and two years ago, when they offered him 40 cents for cotton. Now, suppose that you hold for higher prices, and then cotton drops to below the cost of production, just like it did within the last two or three years? Can the Government stand sponsor for his holding his cotton for a higher price? Is not that likely to be the construction placed upon this act?

Mr. SIMPSON. No, Senator Harrel. You have a proposition there as to which I would say "there ain't no such animal." If the Government says it will not go below a certain price, it will not go below a certain price.

Senator HARRELD. How long does that guaranty last?

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Mr. SIMPSON. That is to last throughout the year; that is, unless you make it a permanent proposition.

Senator HARRELD. You have it in this bill to have it last 10 years?

Mr. SIMPSON. Then, if you make it permanent it will last for that time.

Senator McNARY. No; but he made this point, that the law has in mind that the Government will guarantee a certain price to the farmer. Knowing that he could not get less than that, would that cause him to want to speculate and then run into next year's crop?

Mr. SIMPSON. The world percentages would encourage him.

Senator HARRELD. Then, there would be a congestion of wheat the next year, and there would be a still further drop.

Mr. SIMPSON. As to the farmer holding over from one year to the next, I think that guaranty would take care of it each year.

Senator HARRELD. Well, that is the point.

Mr. SIMPSON. Yes, sir.

Senator HARRELD. Now, there is this other point. Will not this bill, as it is worded now, have the effect really of guaranteeing the bank instead of the farmer? The immediate result will be that the bank will loan to the farmer up to that point that the Government guarantees, but no more. Now, when the bank has loaned to the farmer that little amount, would he not be inclined to speculate?

The CHAIRMAN. If it could be demonstrated that this bill would be a guaranty to the bank instead of to the farmer, we would have no trouble in passing it.

Senator HARRELD. In my judgment, that is what it does.

Mr. SIMPSON. I believe it is a guaranty to everybody, Senator.

Senator HARRELD. I do not say but what that is a good thing, you understand, but it is really a guaranty to the bank.

Mr. SIMPSON. I want to give you one more actual experience. In 1919 we came down here. Senator Norris was on the committee, and so was Senator Page then, and we asked for a continuation of the guaranty of the wheat. In 1917-18 we did not have that guaranty. We felt it was a restricting measure, instead of a minimum, on account of the license that Mr. Julius H. Barnes put on us; but in 1919 there was a real kind of a guaranty that we would like to have all the time. And listen to what it did for us.

In 1919 it never cost the Government a penny. Most of the time wheat was considerably above that guaranteed price, sometimes 50 cents or more above it; and the next thing, as a fellow said one time, there are dishonest farmers, and some of them went into the elevator business, and some of these dishonest farmers got into the elevator business, and they are trying to take from the farmers—and it happened in my State and in your State—the wheat at less than a guaranteed price. The organized farmers found out about it, and we complained, and the Government sent an agent to check up that elevator business. In two months after he commence that elevator man would be out hunting up those farmers to pay them the extra that he owed them on the wheat.

I am here to tell you that if you had not put that 1919 guaranty on there are many places where they would have bought that farmer's wheat for \$1.25 that year, and it has never cost the Government a penny. We got around \$2 for our wheat. I am talking about the farmers' price. The price on the Chicago market would run from \$2.30 up to \$2.87. It helped then, and we believe it will do it again.

Senator PAGE. Would you have us place an embargo that will prevent the importation of any of the products that we raise?

Mr. SIMPSON. I think that would have to go with the guaranty; yes, sir. That is, especially if we guarantee above what it could come in here for.

Senator PAGE. You would not expect to import any under those conditions?

Mr. SIMPSON. No, sir. I thank you very much.

(The following testimony was given by an official of the Australian Government who was in Washington on official business, and who was requested to appear before the committee by the chairman and give testimony upon the subject under consideration. The testimony was, at the request of the witness, taken in executive session, and afterwards in a communication to the chairman he consented that the same be published, but that his name should be omitted from the report:)

The CHAIRMAN. Mr. ——, we have requested you to appear before us, understanding that you are familiar with the different lines that we would like to have you tell us about; that is, in respect to the operation of the Aus-

tralian law which was passed in order to stabilize the price of agricultural products. You will please make your statement in your own way.

Mr. _____. Gentlemen, as you know, Australia depends almost entirely for its prosperity on its primary products—products of the soil. We produce a surplus of those products; that surplus being sold mostly on the European market. Owing to our distance from Europe and from the financial centers of the world, in the early stages of our development we were unable to attract individual capitalists to our country or individual capital. As you no doubt know, we have a territory as big as that of the United States, and that situation led the early settlers in Australia to use collectively their financial power to build their railways themselves; that is to say, the State through the instrumentalities of the State. It was not that they were Socialists. It was either that they should build them through the State or go without them. It was not that they believed in State ownership as against private ownership. Largely through that same necessity the policy of the State is to do things which in other countries are done by individuals and by ordinary capital.

Therefore in recent years, especially since the commencement of the war, the agricultural industry and the pastoral industries have looked more toward the State, either directly or indirectly, to assist them in marketing their products.

When the war commenced we could not get freight; our first difficulty was that we could not get freight to get our products overseas, and it became evident that our agricultural produce would be worth practically nothing if it were to be thrown on the local market.

You understand that in Australia we have a legislative system that is something like your own. We have the six States, each State having sovereign powers, and we have the Commonwealth, which is equivalent to your Federal body. The Commonwealth has a written constitution and strictly defined powers. The balance of the powers not written are with the States. A conference of the Commonwealth and the State Governments was held to deal with the situation, and it was decided that the Commonwealth and the State Governments should combine and set up machinery for the marketing of those products.

I have here the Official Year Book of Australia. This matter is very briefly put, and I could not do better than to give you the history of that in regard to one of the chief products, that is, wheat, as it is set down here. [Reading:]

"The Australian wheat-marketing scheme: (i) General principles. Owing to the abnormal conditions prevailing, a wheat-marketing scheme was entered into by the Governments of the Commonwealth and of the States of New South Wales, Victoria, South Australia, and Western Australia"—those four States are the four wheat-growing States—"for the purpose of realizing to the best advantage the 1915-16 wheat harvest of the States named and of making advances to farmers pending realization. It was subsequently decided that the 1916-17 harvest, and later the 1917-18, 1918-19, and 1919-20 harvests should be dealt with on similar lines to those of the 1915-16 harvest.

"The general principles of the scheme may be shortly stated thus:

"1. That all growers should participate equitably in the realization of the harvest and the proceeds thereof.

"2. That the limited freight available should be allotted between the States in accordance with the exportable surplus of each.

"The securing and general allotment of freights is under the control of the chartering agents, who are responsible to the Commonwealth Government.

"The distribution of freights among the States is in charge of the Australian wheat board, which also has the duty of realizing the crop. This board consists of ministerial representatives of the Governments of the Commonwealth and of the States and representatives of the growers, one from each State. It has the assistance of an advisory board, consisting of well-known wheat shippers. A London wheat committee, consisting of the high commissioner and the agents general of the States concerned, acting with the advice of the London representatives of the wheat shippers, arranges overseas sales. Adjustments are to be made between the States so that, having regard to the quantity shipped, each will ultimately receive the average net result of the whole of the overseas realizations.

"In certain States the crop is bought by the State government, and in others the wheat is received from the growers for sale on their behalf.

"The Australian wheat board fixes all prices at which wheat may be sold, except in the case of poultry feed, which is left to the States to regulate."

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Senator HARRELD. Is that board a national organization?

Mr. _____. Yes where the words "Australian wheat board" occur, that is the national organization.

Senator KENYON. Did you say what record you are reading from there?

The CHAIRMAN. Yes.

Mr. _____. I am reading from the official yearbook, page 362.

The CHAIRMAN. Yes; he has already stated that.

Mr. _____. (reading further):

"Each State has a local board or commission to control the operations of the scheme within the State concerned. This board or commission effects all local sales, including sales to millers.

"(ii) Advances and finance: Under arrangements with the Australian banks made by the Commonwealth and State governments, advances are made to farmers upon delivery of their wheat at railway stations to representatives of agents appointed by the different State governments. The following advances per bushel have been made in respect to the five pools for each of the States up to the 2d of August, 1920."

Then it gives the prices for each of the different States in the different years.

Senator HARRELD. May I ask you a question right there?

Mr. _____. Certainly.

Senator HARRELD. Are the banks that make those advances Government banks or State banks?

Mr. _____. No; they are private banks.

Senator HARRELD. They are private banks?

Mr. _____. But, you see, the system adopted causes an overdraft, because in the first pool, it was years before the wheat was realized. The overdraft is guaranteed by the Commonwealth and the State governments conjointly, and the interest on the overdraft is charged against the wheat pool.

Perhaps I had better read this, covering one of the States.

The CHAIRMAN. Yes.

Mr. _____. I do not need to read them all.

The CHAIRMAN. No.

Mr. _____. In the State of New South Wales, on the 1915-16 crop, the advance was 4s. 10d. per bushel; 1916-17, 3s. 3d. per bushel; 1917-18, 4s. per bushel, 1918-19, 4s. 7d. per bushel; and 1919-20, 6s. 6d. per bushel.

Then, of course, whatever this wheat realized on the London market as it was brought to account, the balance was paid to the grower according to the price that his wheat realized. No profit was made either by the State or by the Commonwealth, so that the farmer got the net result of the proceeds of the sale, less the actual expenses involved in the transaction.

Senator GOODING. Did all the wheat bear the same freight rates?

Mr. _____. The same shipping freight rates?

Senator GOODING. Yes.

Mr. _____. The same shipping freight rate, but not the same rail freight rate. The rail freight rate, of course, would be the same in each State. I mean to say that there would be no difference as against State and State, but there would be a difference in an individual State, according to the distance run.

The CHAIRMAN. That depended on the distance over which it was hauled?

Mr. _____. Yes. The railroads are State owned, and there is a specially, and there always has been a specially, cheap freight rate for wheat and other products. Wheat carries a much less rate than the other products carry.

Senator GOODING. Yes; but the prices fixed by the Government are the same to every grower in that particular State?

Mr. _____. Oh, for the same distance; yes.

Senator GOODING. That is, I mean to say the price paid the grower for his wheat is the guaranteed price, the minimum price, and is the same to all the growers?

Mr. _____. Oh, yes.

Senator GOODING. Regardless of the freight rate?

Mr. _____. Yes.

Senator GOODING. That is the point I am making.

Mr. _____. Yes.

Senator McNARY. Your price is fixed at Liverpool, is it not? In the open unrestricted market your price is fixed at Liverpool?

Mr. _____. The price of the wheat is fixed in the London market.

Senator McNARY. Well, but you call it the Liverpool market. At any time was the Government guaranteed price lower than the price fixed at Liverpool?

Mr. _____. Always.

Senator McNARY. Always lower?

Mr. _____. Yes; the Government guaranty was that there would be paid no more than the Liverpool price.

Senator McNARY. Yes, I appreciate that; but you had a specific sum per bushel guaranteed by the Government, and that was always below the Liverpool pool price?

Mr. _____. Yes. In the early years of the war it was considerably lower. In the latter years it was very little lower. In the earlier years of the war it was considerable lower because it was not possible to forecast.

Senator McNARY. Yes. For the crop of 1920 what was the difference in points; do you recall?

Mr. _____. No; I can not recall.

Senator McNARY. But the margin was very slight, was it not?

Mr. _____. The margin was very slight. In fact, there was some discussion as to whether it would realize the guaranteed price, but it did.

Senator McNARY. And would they not have to operate that way as they accumulated more wheat in the world?

Mr. _____. Certainly; and we fixed our guaranteed price on the advice of well-known wheat salesmen who had been in the business for a great many years.

Senator McNARY. But you do not make the point that this guaranty would overcome economic laws?

Mr. _____. Oh, no; I am not dealing at all with that.

Senator McNARY. And in a year, when the guaranty would be higher than the market price, the Government would suffer that loss?

Mr. _____. It might. Now, I will go on. [Reading further:]

"Proceeds of wheat as realized are applied in reduction of the bank overdrafts caused by payment of advances and expenses. The rate of interest payable to the banks is 5 per cent. The government of each State has undertaken to repay all advances made on account of such State, and the Commonwealth Government has guaranteed repayment by the States. Advances to growers are made by means of certificates issued by the agents appointed by the various States. The certificates are payable at banks named by the growers.

"(iii) Results of the scheme: In all the States certain wheat, particularly seed wheat, has not been brought under the scheme. The quantity of wheat pooled therefore differs from that harvested in each State. In addition, wheat grown in one State may be pooled in another. A considerable quantity of New South Wales wheat is included in Victorian returns, and the Victorian also includes a small quantity of South Australian wheat.

"Deliveries made on account of each harvest to August 2, 1920, are as follows."

I will not give you the detailed prices, but the totals.

Senator HARRELD. May I ask you a question right there? Do you mean to say that this law only guarantees the price on export wheat?

Mr. _____. No; it guaranteed the export and the local.

Senator LADD. All except the seed?

Mr. _____. All except the seed; yes.

Senator HARRELD. That is what I wanted to know.

Mr. _____. But, of course, that is a transaction between farmers and farmer.

Senator LADD. Yes.

Mr. _____. Now, the grand totals for all four States are—and I will only give you round figures—for 1915-16, 163,000,000 bushels; 1916-17, 138,000,000 bushels; 1917-18, 103,000,000 bushels; 1918-19, 65,000,000 bushels; and 1919-20, 34,000,000 bushels.

The total overdraft on the 2d of August, 1920, on all pools, amounted to 3,409,000 pounds sterling; but there was one period—and this, I think, is an important fact—there was one period when the overdrafts at the bank amounted to between eighteen and twenty million pounds, roughly meaning in dollars \$100,000,000, being the amount that the banks had advanced against the wheat.

Senator HARRELD. And you say that was advanced at the rate of 5 per cent?

Mr. _____. Five per cent.

Senator HARRELD. How did the Government fix the rate that the private banks was charging? I asked you that a while ago and you said that that was carried by the private banks.

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Mr. _____. In addition to private banks we have a Commonwealth Bank, and the Commonwealth Bank has a very important effect in deciding rates of interest, especially in transactions of this kind. The Commonwealth Bank is a public-owned bank, and that means that the Commonwealth Bank is strong enough to do this business itself. If the private banks did not come into it the Commonwealth Bank could have done it itself.

Senator HARRELD. If the private banks had refused to make the loan 5 per cent, then the Commonwealth Bank would do it?

Mr. _____. The Commonwealth Bank would have undertaken it.

Then, the total value of the pool sold in each State is given here, and I think this is interesting:

"Since the initiation of the 'pool' several sales of magnitude have been made, notably one of 3,000,000 tons to the British Wheat Commission, at a rate of 4s. 9d. per bushel f. o. b., equaling 26,600,000 pounds, which is the largest wheat transaction ever recorded, and another of 1,500,000 tons to the same purchaser for £15,400,000, at the rate of 5s. 6d. per bushel."

That is the history of that up to 1920.

The subsequent history, I think, would be interesting to you. Those are very largely compulsory pools, and there was considerable opposition to the continuance of those pools after the war, because it was argued, especially by mercantile interests that, the war being over, trade should resume its normal channels, and that this Government assistance should cease. After a considerable political controversy, that was eventually settled in each of the States in this way: It was agreed that the pools should no longer be compulsory, that they should be voluntary, but it was agreed that, so long as they were voluntary, they should be guaranteed by the Commonwealth and State governments in the way that they had been guaranteed in the past. Up to 1920, the price for local sales had been fixed, and the price had been fixed on the basis of the world's parity, taking the average, so far as we could, for the previous 12 months.

To give you an idea of what that meant, from June, 1920, to June, 1921, the price was fixed at 9s. per bushel in Australia for wheat sold in Australia, although for a considerable part of that 12 months the price overseas was such that the parity in Australia would have been 12s. per bushel.

Senator CARAWAY. Let me ask you a question right there. Could no one have sold for less than that?

Mr. _____. No one would have sold for less than that.

Senator CARAWAY. The private and individual holder of wheat was not permitted to sell, by law, for less than 9s. per bushel?

Mr. _____. That is right. That was up to 1921.

Senator CARAWAY. And they may now approve or refuse to approve it?

Mr. _____. Under the present system you may sell privately or sell to the pool.

Senator CARAWAY. There is no guaranty of a minimum price now?

Mr. _____. Oh, yes; there is.

Senator CARAWAY. It is only for those that go into the pool?

Mr. _____. Only for those that go into the pool, and as there is a guaranteed price for those that go into the pool, it is obvious that nobody is going to sell outside the pool for less than that.

Senator CARAWAY. I see.

Mr. _____. Because he knows that the least he gets is that price, and he knows that he has a chance of getting more if the price in the world's market is greater. Therefore, although there is no voluntary pool, it is because of those factors—

Senator CARAWAY. In the event that wheat should sell for less than the pool price under the voluntary pool, do the State and Federal Governments bear the loss, or have you the power to go back to the people who are the members of the pool?

Mr. _____. The State and the Commonwealth Governments would have to bear that loss. They have guaranteed that price, irrespective of a loss.

Senator HARRELD. What is the proportion between the States and the National Governments? What is the proportion of the loss that is borne by the States and the proportion that is borne by the National Government?

Mr. _____. The arrangement is that it was to be borne by the State, wholly borne by the State. The Commonwealth does not bear the loss, unless a State should fail to meet its obligations with the banks. The Commonwealth Government has guaranteed the bank that it meet it in that event.

The CHAIRMAN. The Government is just a guarantor?

Mr. _____. A guarantor behind the States.

The CHAIRMAN. And the Government would not lose anything, unless the State should fail?

Mr. _____. It would not lose anything unless the State should fail.

Senator CAPPER. As a matter of fact, has either the Commonwealth or any of the States been obliged to bear any loss?

Mr. _____. There never has been a loss, and there never has been a profit. The States have not made any loss, and the profits have gone into the pool and have been disbursed; so that neither the State nor the Commonwealth has made any profit, and the banks have only made the 5 per cent that they charged on it.

Senator GOODING. You have no board of exchanges there like we have in this country?

Mr. _____. No.

Senator GOODING. In Australia?

Mr. _____. No; I have not heard of any.

Senator McNARY. Do you guarantee any agricultural products other than wheat?

Mr. _____. Yes. I was giving you this only as an instance, but before I get away from wheat I would like to say that the States have encouraged the handling of these pools by the cooperative associations of farmers. In the State that I represent, the State of Western Australia, 98 per cent of the farmers are now, in one form or another, in cooperative associations.

Senator LADD. Ninety-eight per cent, did you say?

Mr. _____. Ninety-eight per cent; and that cooperative association is really handling it. They are the machinery of these pools. The only action that the State has really taken is to give that guaranty and to give them facilities to store the wheat at railroad sidings on land which is owned by the State, and they are giving the use of that land free of charge and are putting in sidings and are doing that kind of thing to assist.

Senator CARAWAY. And they are assisting them by giving them money at 5 per cent?

Mr. _____. And guaranteeing them.

Senator HERRELD. What is to prevent this pool from holding this wheat and disposing of it at higher prices?

Mr. _____. Nothing at all. And, as a matter of fact, it does hold it when the market is not right. It is sold on the advice of the board that is referred to in the statement that I read.

Senator HERRELD. Under those conditions, would there not be a tendency to pile the wheat up from year to year waiting for a good market?

Mr. _____. At times they do pile wheat up and, taking an average of years, they have been able to get it off at a favorable price. It piles up when the price is low and they unload it when the price is high.

Senator HARRELD. I mean, is there not a tendency to hold for some higher price than the guaranteed price?

Mr. _____. No; I can not say that there is. There is a tendency to use the power of the pools to steady the market.

The CHAIRMAN. They consider the rights and the wishes of the consumers as well as those of the producers, I suppose?

Mr. _____. Yes; they have to recognize that they are dependent on the good will of the consumer.

The CHAIRMAN. Yes.

Mr. _____. They can not have the hostility of the consumer.

The CHAIRMAN. And it is not an attempt, as I understand it, to make the market abnormally high, but it is to stabilize the market and to provide for orderly marketing?

Mr. _____. That is right.

The CHAIRMAN. When there is a poor wheat market they hold it back, and when it is high enough they let it go?

Senator HARRELD. Who determines when that shall be done?

Mr. _____. The wheat board.

Senator HARRELD. The wheat board says who must make the sale?

Mr. _____. The wheat board determines the sale.

Senator HEFLIN. Senator, year in and year out, how has it worked in your country?

Mr. _____. I think it has worked well.

Senator HEFLIN. And the Government has not lost any money?

Mr. _____. It has neither lost nor made any.

Senator HEFLIN. But it has had a stabilizing effect?

Mr. _____. Undoubtedly.

Senator HEFLIN. One question more, Senator. I understood you to say that you have no speculative exchanges in your country?

Mr. _____. No.

Senator HEFLIN. We have grain exchanges over here that speculate in corn and wheat, and cotton exchanges that speculate in cotton. You have none of those?

Mr. _____. We had, of course, the wheat-buying firms before the war.

Senator HEFLIN. But they bought the actual wheat?

Mr. _____. They bought the actual wheat.

Senator HEFLIN. These speculators here sell wheat futures and corn futures.

Mr. _____. They would buy the wheat for delivery.

Senator HEFLIN. But if they do, the wheat is delivered to them?

Mr. _____. Yes. Well, sometimes they would buy before it was delivered.

Senator HEFLIN. Yes.

Mr. _____. And buy it in the fall, but they always eventually obtain the wheat.

The CHAIRMAN. Gentlemen, I would suggest that as it is nearly 12 o'clock unless we are willing to sit here after 12, that we let the witness proceed uninterrupted.

Senator _____. I am willing to stay.

Senator McNARY. I want to ask one further question.

Mr. _____. I wanted to touch on those other pools.

The CHAIRMAN. I suggest that you let Senator _____ finish his statement and then, if we have any time, ask him the questions.

Senator GOODING. Would it be possible to come back again to-morrow?

Mr. _____. No; I can not come back to-morrow.

Senator GOODING. Then, I suggest that we let him go ahead without any questions, because this, to me, is one of the most interesting things I have ever heard.

Mr. _____. Then, we have a similar thing along somewhat different lines in regard to wool. We did that by bringing in the Government of the United Kingdom as a partner, so as to have both the producer and seller of the wool in markets overseas, and that, of course, had the effect of stabilizing the price of wool. When the war ended, the British and the Australian Governments had a tremendous quantity of the cross-bred wool left on their hands, and had it not been for that scheme, undoubtedly that wool market would have broken all to pieces, and the wool would not have realized anything; whereas, by holding the wool, and unloading it gradually, they were able to sell it at a cost of not less than 8d. per pound.

Then, take the butter. We had a butter pool, which was operated on the same lines as the wheat pool, and still operated. That sells our surplus butter overseas, and although it does not fix the price for Australia, the very fact that they are selling the surplus in such quantities as it determinates from time to time, has the inferential effect of fixing the price.

Then, there is fruit. A fruit pool has been formed, and this operates, too, through the cooperative fruit-growing and canning organizations. It advances money, or guarantees their overdrafts where they are paying for the fruit before it can be realized on in the market. The State and the Commonwealth Governments guarantee the overdraft. The fruit is sent overseas and subsequently realized on, and they pay 5 per cent on their overdrafts, too.

So there are those leading lines—wheat, wool, butter, and fruit—that are still organized in that way.

Of course, it has to be remembered that side by side with these you have the State railway system, and that State railway system is operated in conjunction with these pools, giving them tremendous control over the produce which is marketed by means of these pools. Of course, the State railways are used to assist these cooperative enterprises. There is very little fixation of prices anywhere in Australia to-day, although there was during the war, except as they are fixed inferentially by these pools.

Now, if you ask me what is the condition of the farmer in Australia to-day, I would say—and I would say this as a man who has lived amongst farming communities, who was brought up in a farming community—that since the war he is more prosperous than he ever was at any time in his history. During the

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ast year, although there has been a fall in the prices of farm products it has not had any very serious effect on the general prosperity of our farmers. The farmer before the war was the worst cooperator, and he was the strongest opponent of any of this kind of thing before the war. The farmer to-day, as I say, is, in my State, 98 per cent a voluntary cooperator, and back of these different propositions.

Senator CAPPER. May I ask you whether the effect of the stabilization of three of your main farm products along the lines you have suggested operates to stabilize prices of other farm products and other commodities?

Mr. _____. I think it does. I think it has a general stabilizing effect and is leading to the extension of the cooperative movement in all lines of farm products.

Senator HARRELD. When you guarantee the prices on these three staples, do not the raisers of other products insist that they should have the same protection that these three main products have?

Mr. _____. No; there has not been any general demand for that, because what has been done in regard to these products has been simply to help the farmer to help himself. The States is not doing this without the cooperation of the farmers. It is assisting the farmers cooperative association by utilizing the State machinery.

Senator HARRELD. For instance, in this country, in the southeast, the principal products are fruits.

Mr. _____. Yes.

Senator HARRELD. They do not raise any wheat or any of these other staples. How are you going to get around that without giving them the same sort of guarantee?

The CHAIRMAN. Gentlemen, we had agreed to let the witness proceed in his own way.

Mr. _____. We have done so in regard to fruit.

Senator HARRELD. They are very pertinent questions.

The CHAIRMAN. Yes; they are.

Mr. _____. We have done so in regard to all of the leading lines of farm products, and I do not know of any other products outside of those that sell on the overseas market.

Senator GOODING. Let me suggest this. Maybe some of the Members would be glad to remain here and listen further to the witness, after 12 o'clock.

Mr. _____. I am free to stay.

Senator McNARY. I had made a mental list here of agricultural products outside those guaranteed. I wondered if this thing had developed, that as to the other products which were being sold at a point below cost of production, the Government protecting the growers of those few products by meeting the cost of production, it is not the tendency in Australia, and would it not be here, to go into the raising of those agricultural products that are guaranteed against loss? In other words, take a live-stock man, for instance. If he had ground would he not break it up into wheat if he was losing hundreds of thousands of dollars on his live stock? There would not be enough oats planted if they are being produced now at nowhere near the cost of production, and if you could plant your land and seed it to wheat when the Government would guarantee the wheat as against loss?

Mr. _____. There is no doubt that it would have that tendency between oats and wheat, but as between wheat and meat, we have not found that up until quite recently. The tendency was for the men to go out of wheat and into meat, and we rather tried to check that, to keep the men growing wheat rather than going into meat.

Senator McNARY. How would this operate if you guaranteed the cost of production and a little profit to the producer on these products, and if the grower of live stock was not getting anywhere near that point? Why would the raising of wheat or corn help the live-stock grower?

Mr. _____. We do not think it would, but what we find is this, that where you have a grower for wheat, you can get a bigger population in the same area of territory than if there is merely the raising of stock in that territory, and that is what we want, that is all to the good if we can get it—more people in the same area.

Senator McNARY. Let me ask you, how that would be fixed by the board. Would you limit that by what you believe to be the cost of production, or would you ask a profit?

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Mr. _____. No; we limited it to what we thought would be really the cost of production, so as to encourage the farmer to put in his crop. That was the idea.

Senator McNARY. So that the owner was guaranteed that he would not lose any money?

Mr. _____. Yes.

Senator McNARY. It was not a guarantee that he would make any money?

Mr. _____. No.

Senator HARRELD. May I ask a question, Mr. Chairman?

The CHAIRMAN. Certainly.

Senator HARRELD. In my own State there are places where wheat, cotton, and corn are all grown on the same land.

The CHAIRMAN. Not at the same time, Senator.

Senator HARRELD. Well, during the same season. Now, suppose one of these products is guaranteed, and the other is not. Will there not be a tendency for the farmer to put that land in that particular crop that is guaranteed, to the exclusion of the other?

Mr. _____. I should think there would be, although, of course, that is a phase of the problem that we have not had in Australia.

The CHAIRMAN. That would depend on what you fixed the price at. If you added a profit, I would say that that would be the tendency, but if you did not, it would not be any guaranty that the man would make anything.

Senator McNARY. No; but he would be guaranteed against loss.

The CHAIRMAN. Yes.

Senator HARRELD. And he could get this loan from the bank, while the other fellow could not get it.

Senator GOODING. I understand they make the loan to all of the agricultural people there at the same price, 5 per cent; is not that correct?

Mr. _____. We have in all of our States what we call our agricultural land banks, which will advance money to the farmer at 1 per cent above—in some States 1 per cent, in some States three-quarters per cent, and in some States a half per cent above what it cost the Government to raise money in the open market. Then, we have in association with that, the State savings banks, and they are a tremendous reservoir of savings, because, out of five and one-half million people, we have 3,150,000 who are depositors in the savings banks, and the average deposit is \$200 per head. That goes into the control, practically, of the State, and the States pass on a great deal of that money into the agricultural land banks, which, in turn, advance it to the farmers.

Senator GOODING. Whether he is a member of the pool or not?

Mr. _____. Whether he is a member of the pool or not, for the orderly development of his farm, for about 5 per cent at present.

Senator McNARY. Is the price of the commodity fixed at the time of the planting or the harvest, or when do you fix it?

Mr. _____. It has been the practice to fix it before the planting, so as to encourage the wheat grower.

Senator HARRELD. Following the Senator's question about the loaning of money at 5 per cent for farm products, the banker would much rather loan to those wheat growers that have a guaranteed price than loan to the fellow who has not the guaranteed price, would he not?

Mr. _____. Well, you see, you have to remember this; the land bank and agricultural bank is allied to the agricultural development of the States. It is not looked upon as an ordinary commercial enterprise. It is looked upon as an institution for the encouragement of agriculture.

Senator HARRELD. I see.

Mr. _____. Therefore they are not out to make money, but to encourage and assist the agriculturists, and if they think it is a good thing for the State, they will advance it to a man who wants to go on the land and grow maize as well as the man who wants to go on the land and grow wheat, and the percentage of loss has been remarkably small.

Senator HARRELD. Under our system that is not true. The banks are not run for the encouragement of agriculture; they are run to fleece agriculture.

The CHAIRMAN. Is that guaranty the same in each one of your States, or is it separate in each State?

Mr. _____. It is separate in each State, but each State has generally adopted what the other States have adopted. There has been variation in that. The State of New South Wales, on two occasions, gave a higher guaranty than each of the other States. On the last occasion, the guaranty was the same in all States.

Senator HARRELD. May I ask if you have any documents like the one you were reading from, that might be placed on file with this committee, for the use of the members of the committee in studying this question?

Mr. _____. I shall certainly endeavor to get one from our New York office. I imagine they have those papers there.

The CHAIRMAN. We may be able to get this at the library.

Senator HARRELD. I would like to have one here for the use of the committee in its studies.

Mr. _____. This one was just issued when I left Australia.

The CHAIRMAN. Then, it has not been filed here yet.

Mr. _____. I will find out, and if I can do so, I will send you a copy from our New York office.

Senator HARRELD. I would like very much to have one of those books on file here.

Senator GOODING. Let me ask this question: To what extent does the Government own its vessels? You are carrying most of your own farm products, are you not?

Mr. _____. I would not say most of it, but a very considerable portion of it is carried on Government-owned vessels.

Senator GOODING. And the only charge to the farmer, really, is the cost?

Mr. _____. Yes; but we were making a profit during the war, but since the war we are making little or no profit.

Senator GOODING. With the building up of that transportation system you will have bottoms enough to carry your products to market?

Mr. _____. We hope to; yes, sir. It is more to keep a check on the other lines running to Australia. We do not anticipate that we shall ever be able to carry it all, but we believe that with this competition we will be able to regulate the freights.

Senator GOODING. And you also give preferential rates on your railroads to agriculture?

Mr. _____. Preferential rates are given.

Senator GOODING. Yes.

The CHAIRMAN. These railroads are owned by the several States, and not by the Commonwealth?

Mr. _____. These railroads are owned by the States and not by the Commonwealth, with the exception of the Transcontinental Railway; that is the one from the East to the West, that is owned by the Commonwealth.

The CHAIRMAN. How have you found that to work out? I should think it would give you better transportation facilities if the Commonwealth owned them, and they were laid out according to the needs of the entire Commonwealth rather than the needs of the States?

Mr. _____. Of course they are like Topsy; they just growed; they grew up under the old State organization, and the Commonwealth has only been in existence for the last 20 years. There is now a great agitation for the unification of our railways. That does not necessarily mean unification under the Commonwealth. It may be some conjoint arrangement, to get them under one gauge. We have three different gauges, and that is one of the live questions there to-day.

Senator LADD. Mr. Chairman, when we meet to-morrow morning we will have two delegates that are remaining over.

The CHAIRMAN. We are very much obliged to you.

Senator GOODING. Yes, indeed.

(Whereupon, at 12.05 o'clock p. m., the committee adjourned until to-morrow (Saturday), January 28, 1922, at 10 o'clock a. m.)



STABILIZING THE PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

SATURDAY, JANUARY 28, 1922.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., Senator George W. Norris presiding.

Present: Senators Norris (chairman), McNary, Capper, and Ladd.

STATEMENT OF MR. HARRY N. OWEN, EDITOR AND PUBLISHER OF FARM STOCK AND HOME, MINNEAPOLIS, MINN.

Senator McNARY. What is your occupation, Mr. Owen, and where do you reside?

Mr. OWEN. Minneapolis. I am editor and publisher of the Farm Stock and Home.

Senator McNARY. The committee is considering Senate bill 2964, offered by Senator Ladd. Have you read the bill?

Mr. OWEN. Yes, sir. I have read it in just a rather general way.

Senator McNARY. Will you give to the committee your views, and make such a statement as you think will be necessary, and will help the committee in its consideration of this bill?

Mr. OWEN. I am not going to take up very much of your time, gentlemen, in going into the details as to the necessity for some action of this kind, because as I have been sitting here listening to the other witnesses, I think they have gone into that very fully. We want to get somewhere near down to the ground on this.

My position has been, ever since the armistice was signed, that inasmuch as our war-time price fixing depreciated the farmers' products, probably on a conservative estimate at least a dollar a bushel for every bushel of grain that they marketed from the time the price was set until the Grain Corporation decided to allow the law of supply and demand to take its natural course, it is entirely a matter of justice to have a system of price fixing that will give to the wheat grower what the war-time price fixing had taken away from him.

Senator CAPPER. Mr. Owen, may I interrupt just a minute? I have heard this claim made on that very point, and I would just like to know your opinion.

The claim is that while it is true that the Government guaranteed a price it resulted in a loss to the wheat grower (in my own State I think it was about \$50,000,000 in 48 hours), that in the end, in the long run, it really made money for the wheat growers by reason of the fact that it stabilized the market and probably held up the price of wheat longer than it otherwise would have been held up if the plan of allowing gamblers and speculators to control the market had been maintained. Now, what would you say as to that?

Mr. OWEN. Well, my answer to that is merely to refer to the—I have not the figures here, but your committee can refer to the first prices compared with the guaranteed price from the time that the Grain Corporation stepped out, or ceased to function. The guaranteed price did not end until June of 1919, wasn't it? While the guaranty ended then, the fact is that as soon as the Grain Corporation stepped aside prices immediately went very much over the guaranteed price.

Now, if you will remember, when we were working to get that 1919 guaranty continued, we were opposed by practically every avenue of intelligence in the

country that the 1919 guaranty was going to be very costly to the Government—a subsidy to the farmers. I maintained at that time that the 1919 guaranty was never going to cost the Government a cent, because world conditions were such that it was bound to keep the price above the guaranty. That is what in point of fact, did happen. So there is nothing in that contention, as I see it.

The drastic fall in prices, which began as soon as future trading started, is another story, and I will try and reach that, Senator. I will give you my idea on that before I get through.

Now, we hear a great deal about the possibility of this country becoming a food importing country. That was brought out at the conference. Now, in the very nature of things it seems to me that that is an impossible situation for this reason: It has required all of the surplus-producing countries, including Russia, to keep the world reasonably well fed. Before the United States could reach a point where they will be an importing Nation the fact that we were out of it as an exporting Nation would make such a shortage that in the very nature of things our prices would start up, and we would get into production, so that this is a country which, after all is said and done, must always be an agricultural country.

If there was ever a clear sign given to man as to the real functions of an area of land, the signal seems to be very plain to the United States that this is primarily an agricultural country. If we go under this supposed basis of becoming an importing country and develop the United States industrially as intensively, as for instance, England, don't you see, gentlemen, what the effect would be? With this country industrialized as fully as England is, or Germany, we would in six months, I think, produce more manufactured goods than the rest of the world could take care of in a period of years, so we must necessarily remain an agricultural country.

Senator Gooding. We did, during the war, did we not, stimulate production and manufactures of all kinds until there was a surplus piled up all over the world?

Mr. OWEN. Yes, sir; and that with just the development that we already have.

But, nevertheless, we could become a food-importing country possibly for a short time if we force our farmers out of business. If we starve them out of business, it may be necessary for a time to import food, but what will become of us while that process is going on? Of course, automatically, we will reach a point where prices will go up, and it will be like some of these operations which we very frequently hear of: The operation was successful, but the patient died. Now, I don't want to see the patient die. I want to see production maintained at a profitable figure, so that we can go on with our regular business.

We are going to pay the price, gentlemen, anyway, whether we spend some money stabilizing or not, granting that we do have to spend the money. The price of our farm products will advance, if we go on as we are going on now. We won't pay it in the same way, but the price will have to be paid just the same. Why not pay the price now? We have paid billions of dollars in loss of business, in unemployment, in actual suffering, to say nothing of the monetary loss, by our refusal to reform the Grain Corporation on lines where it would work in the interest of the producer. We have lost 10 to 1, gentlemen, in actual money, compared to what it might have cost us to stabilize grain prices. Suppose we had stabilized grain prices even at \$2 a bushel prior to July, 1920. Do you suppose the business of this country would be in the shape it is to-day? I don't believe we would be here, gentlemen. We would not have had this conference. It would not have been necessary. We would not have had this wave of unemployment that they had a conference to consider down here some time ago, and decided there was not unemployment.

Senator CAPPER. What have you to say about the cost to the Government of the inauguration of this stabilization scheme?

Mr. OWEN. I have some figures here. Of course, that is one of those things that is purely a matter of opinion. We haven't any concrete basis on which to figure us as to the actual cost. I don't know that it would be profitable to discuss something that we have no real, concrete facts that both sides will acknowledge as a basis for argument.

The CHAIRMAN. Nevertheless, Mr. Owens, that is one of the things we will have to meet. If any attempt is made to legislate that is going to be one of the controversies.

Mr. OWEN. You notice, Senator, I said that we have no concrete figures at the other side is bound to accept. We have some figures here that may, or our side, give some sort of a basis.

Now, I have produced figures here for a period from 1900 to 1921. I am not going to read them all, but will submit this for your record, so you can cover it at your convenience.

(The statements referred to are as follows:)

Wheat carry over.

Year.	Visible supply July 1.	Farm reserves July 1.	Total.
	<i>Bushels.</i>	<i>Bushels.</i>	<i>Bushels.</i>
910	12,034,000	36,199,000	48,233,000
911	23,863,000	34,925,000	58,788,000
912	23,350,000	23,876,000	47,231,000
913	30,163,000	35,515,000	65,678,000
914	13,248,000	32,236,000	45,484,000
915	7,948,000	28,972,000	36,920,000
916	42,628,000	74,731,000	117,359,000
917	14,209,000	15,611,000	29,820,000
918	785,000	8,063,000	8,848,000
919	8,681,000	19,644,000	28,325,000
920			81,365,000
Average, 11 years.....			51,641,000

Farm reserves and visible for 1920 could not be located in limited time available; 1920 carry-over estimated from Government figure. Statistical abstract for 1920, page 551.

COTTON CARRY-OVER.

Referring to Statistical Abstract for 1920, page 554 it will be found that production, domestic consumption, and exports have practically balanced every year since 1900. Imports have shown an upward tendency since 1900 when 116,610 bales were imported while 1919 imports were 682,911 bales.

CORN CARRY-OVER.

As only about 15 per cent of corn grown reaches market the visible supply carry-over is usually small averaging about 3,500,000 bushels, 1921 is an exception. As price stabilization is concerned only with grain actually getting into trade channels, corn offers a very small problem.

Production.

Year.	Wheat.	Per cent exported.	Corn.	Per cent exported.	Cotton.
	<i>Bushels.</i>		<i>Bushels.</i>		<i>Bales.</i>
1900	522,230,000	41.4	2,105,103,000	8.6	10,123,000
1901	748,460,000	31.4	1,522,520,000	1.8	9,510,000
1902	670,063,000	30.3	2,523,648,000	3.0	10,631,000
1903	637,822,000	18.9	2,244,177,000	2.6	9,851,000
1904	552,400,000	8.0	2,467,481,000	3.7	13,438,000
1905	692,979,000	14.1	2,707,994,000	4.4	10,573,000
1906	735,261,000	20.0	2,927,416,000	3.0	13,274,000
1907	634,087,000	25.7	2,592,320,000	2.1	11,107,000
1908	664,602,000	17.2	2,688,651,000	1.4	13,242,000
1909	683,379,000	12.8	2,552,190,000	1.5	10,005,000
1910	635,121,000	10.9	2,886,260,000	2.3	11,609,000
1911	621,338,000	12.8	2,531,488,000	1.7	15,693,000
1912	730,267,000	19.6	3,124,746,000	1.6	13,703,000
1913	763,380,000	19.1	2,446,988,000	.4	14,156,000
1914	891,017,000	37.3	2,672,804,000	1.9	16,135,000
1915	1,025,801,000	23.7	2,994,793,000	1.3	11,192,000
1916	636,318,000	32.0	2,569,927,000	2.6	11,450,000
1917	636,655,000	20.8	3,065,233,000	1.6	11,302,000
1918	921,438,000	31.2	2,502,635,000	.9	12,041,000
1919	967,979,000	23.5	2,811,302,000	.6	11,421,000
1920	833,027,000	44.2	3,208,584,000	13,440,000	
1921	794,893,000		3,080,372,000		8,340,000

Average five prewar years (1910-1914), 728,240,000 bushels wheat, 2,912,457,000 bushels corn (436,868,855 bushels marketed).

I will simply submit these figures for the record. I will not read it out. But I want to call your attention to the fact, for the benefit of Senator Page who does not seem to be here now, whom I heard make the statement day before yesterday, when he was asking, I think, Mr. Hagan, about the probable cost. He made the statement as follows: He said it may cost a hundred billion or a hundred and fifty billion. Of course, that is way beside the mark because our total grain crops, if we bought them all at these guaranteed prices even our maximum crop, would not run over fifteen or sixteen million. In fact our grain crop for this past year, December 1, the value was about \$5,900,000. But for a five-year average, the prewar years—1910 to 1914—I have taken prewar years because if we took a 10-year average, including the prewar years we would get a false basis. Our average production in wheat in round numbers was 728,240,000 bushels. Our average production of corn was 2,912,457,000 bushels. We only market about 15 per cent of the merchantable corn, so the amount marketed would amount to around 36,000,000 bushels.

So you see if we bought the entire crop at these guaranteed prices it would be a long way short of Senator Page's hundred or hundred and fifty billion dollars.

But it is the surplus that would really determine, to my way of thinking, the cost of carrying out this idea.

I have here some figures showing the visible supply July 1, the farm reserves July 1, 1920. The 1921 figures I could not get in detail—we will probably find them later—because I was a little pressed for time yesterday. I compiled these figures from the statistical abstract for 1920, page 551.

The largest carry-over that we ever had was in 1916, when we carried over a total of 117,359,000 bushels. Then that dropped in 1918, when our carry-over was only 8,848,000 bushels, or approximately 9,000,000 bushels. But the average for the 11 years was 51,641,000 bushels. That was the average carry-over. That was the farm reserves and the visible supply. Of course, there may have been some wheat in country elevators that does not show up in these figures. You understand, of course, that all crop estimates, even Government estimates, are somewhat guesses.

On the cotton carry-over—of course, I am not going to jump in very strongly on this, because we have plenty of cotton men here who know more about cotton than I do; but I find that from the statistical abstract figures domestic consumption and exports have practically balanced every year since 1900. So that our surplus cotton is very small.

Our corn carry-over is small. It averages somewhere around 3,500,000 bushels.

Now I think, using those figures, the figures of production and of carry-over as a basis, you could readily ascertain the probable outside cost of carrying out this guaranty idea. I think, however, there is one thing that is quite important in this connection that is frequently overlooked. I believe we should take into consideration in this proposed legislation some method of rather limiting the acreage, say to our average acreage, to prevent a lot of what you might call speculative planting that might make it very burdensome.

The CHAIRMAN. You mean that the tendency would be to increase the acreage?

Mr. OWEN. That is possible.

The CHAIRMAN. Could not that be entirely regulated by the price that was fixed? If we started on the basis, for instance, of making a price that would give the producer a profit in addition to cost, undoubtedly that would occur. If we fix the price at absolute cost, without any profit, would it occur? And then there are others who advocate that we ought to fix the price a little below cost.

Mr. OWEN. As far as that cost of production is concerned, the more I study that the more convinced I am that it is impossible to fix any price that is going to make a profit for everyone who sees fit to grow wheat or corn or cotton.

The CHAIRMAN. Oh, yes. Of course, it is an estimate, to a great extent.

Mr. OWEN. And it should not be fixed that high.

The CHAIRMAN. No.

Mr. OWEN. Because the man who is economically so placed that his cost of production is unusually high should turn his attention to something else. But we have this situation. I don't know that we have quite so much in some of the States, but we have this situation up there in our plains of North Dakota. I have seen it work out a great many times. In fact, it comes nearly every year, but more frequently in a dry year, a drought year. Showers will be very

ical in a dry year, and one man or one group of farms may get a shower right at the critical time and save their crops. They may come through with 12 or 4 bushels to the acre. Now, a quarter of a mile away, as close as that, there might be another group of farms that did not catch any of that shower, and they might have 4 bushels to the acre. Of course, the acre costs is just about the same whether a man gets 4 or 12 or 14 bushels to the acre, but the cost per bushel, of course, would be very much higher to the man getting 4 bushels to the acre than to the man getting 12 or 14 bushels to the acre. So that this price has got to be an approximation.

We have figures in Minnesota—I think they have them here now. They didn't have for quite awhile, but there are figures in existence, both winter and spring wheat States, showing the acre cost. They would have to be revised down here somewhat on account of the change in labor conditions. I believe the average acre cost should be taken into consideration in making this price. We don't want to get the price up so high that we would overproduce. That would not be good economics. That wheat would have to be sold somewhere, and loss would come. As I see the case, the nearer we can keep to our own requirements, our domestic requirements, in the production of wheat or any other crop, the better off our farmers are going to be.

Now, that may be a cold-blooded way of looking at it, but inasmuch as all other industry is looking at things entirely from its own standpoint, I don't know why the farmer should not look at it in the same way.

The CHAIRMAN. Now, Mr. Owen, in fixing the price, suppose there was a very large production in one year. The board or whoever it was that had charge of fixing the price would undoubtedly take that into consideration. The Government might have been compelled to buy a very large surplus of wheat. In fixing the price the next year would they not take that surplus into consideration, and cut down the price, with a view of lessening the acreage, of course, and of selling the surplus wheat that they had on hand?

Mr. OWEN. Yes. They would have to do that.

The CHAIRMAN. If they cut down the price the probabilities are the acreage would come down, and the fellows who produce wheat would get a price way beyond the price that had been fixed as the guaranteed price, so there would be nothing to buy, and they could even sell what they had on hand.

Mr. OWEN. I think, Senator, that is the fine thing about this stabilization of prices, the fact that they would take into consideration a surplus of one year, because it is simply following out by legislation more quickly what is followed out naturally anyway. A low price or a series of low prices naturally reduces production, and, conversely, a series of high prices increases production. Now, if you take the item of potatoes. You take the chart of potato prices for any number of years and it is almost like the teeth of a saw. You will have a big crop one year and low prices, and then they will all go out of the business of raising potatoes, and the next year they will have a good price.

The CHAIRMAN. Of course the answer to that proposition is that you can not carry potatoes over.

Mr. OWEN. Oh, no; but it illustrates the general principle, only it acts more quickly in potatoes than it would in a more nonperishable crop.

The CHAIRMAN. Yes.

Mr. OWEN. But it is a good illustration of the general principle. I think I have just about covered the ground, except to say that in my judgment we are about a year and a half too late on this proposition.

I promised Senator Capper I would touch on what happened to the crop after the future trading started. That was, I think, the crime of the century, in opening up the future trading when we did, when all the other nations were organized for governmental buying. They operated as a unit while our trade was simply a disorganized mob of competing traders. The British Royal Commission came in here and played the game just as they played it in the Argentine the year before. They got all of Argentina's wheat away from her at a very low price, until they had to embargo, finally, the last three months of Argentine shipping. They had to embargo wheat in order to feed their own people. The British Royal Commission went down there and bought it all away from The Argentine, and secured it at their own price. They said: "There is some good picking over here," and they did the same thing. They sold short. They kept selling short. They could not lose, because they had the resources of the British Empire behind them, and we had no means of meeting that condition. We would have had means, however, if our Government had been organized to have sold or have met the governmental buying of the other nations.

STATEMENT OF MR. MILO RENO, PRESIDENT FARMERS' UNION OF IOWA, DES MOINES, IOWA.

Mr. RENO. Mr. Chairman, I take it that this committee is thoroughly competent to gather all the statistical facts concerning this matter and that they have also heard from the men who were thoroughly competent to testify along that line. I have come here without any preparation, and what I have to say will be only in a general way.

The CHAIRMAN. Give your name and residence.

Mr. RENO. My name is Milo Reno, Des Moines, Iowa.

The CHAIRMAN. What is your business?

Mr. RENO. I am president of the Farmers' Union of Iowa. It seems to me that if I understand why this bill has been introduced it has been largely for the relief of the agricultural interests, and our conference has just been held supposedly for the same purpose.

The CHAIRMAN. Now, Mr. Reno, I might say to you this bill was introduced after consultation with several Senators and other persons. The real object of its introduction—and I talked to Senator Ladd before it was introduced—was for the purpose of using it as a basis for hearings. We did it hurriedly, because we wanted to be prepared to hear you people who came to this conference. It is not the result of definite ideas or opinion, but it was just the basis for hearings. We had to have something to have hearings on, and we knew that there were a good many coming to this conference that wanted to be heard on the subject while they were here, so we had Senator Ladd introduce this bill in order to give an opportunity for you people to be heard. It has not been discussed by the committee. It has not been taken up in any way by the committee. There has only been very slight discussion about it in the committee—practically none.

Mr. RENO. Well, as I see it, Mr. Chairman, the life of agriculture depends upon legislation in the next few months, to say the least, and the condition can only be relieved, as I understand it, in one of two ways.

The trouble with the farmer to-day is that he can borrow money—he can do that, but his credit or his foundation, his capital, if you please, has been depreciated to such an extent that his security has been cut in two two or three times. The consequence is that he finds himself in this condition, that in order to go on and function he must liquidate his debts. He must have sufficient finances in order to take care of it, and the fact that his capital has been depreciated makes it impossible for him to take advantage of the avenues that the Government has very generously opened up to him.

Now, as I said before, I can only see one or two ways that this condition can be remedied. In order to remedy it you must increase the farmer's credit. If you do that you must increase the price in some way of the goods, the material, the things that he has that constitute his credit. We can do that by extension of his credit, which is not under discussion at this time. The other way is for the Government, the people who expect the farmer to produce and take care of them in the matter of food, and it is their job and their business to guarantee to the farmer a minimum price for the production of his crop, or at least the leading products, the staple products, those that constitute the real wealth of the agricultural part of the Nation. And I think that we have a precedent in that. I don't think there is anything unreasonable in it. The truth of the matter is that we stabilize other securities, railroads, for instance, by guaranteeing them, in a way—a roundabout way, of course, but nevertheless a guaranty—that their industry, their occupation in business, shall be remunerative, and it shall pay a certain dividend.

As soon as we have the assurance in the agricultural business that our farms in the future are going to pay a dividend, we will have established a basis by which we can take advantage of these other avenues that have been opened up to us.

I come from, I believe, the richest agricultural State in the Union. I think that is true. In the State of Iowa there are thousands of farmers whose basic wealth or whose capital has been depreciated until they can not take advantage of the avenues that have opened. The stock that they have on hand—I know a man who has 150 head of cattle, and that five, or four, or three years ago would have been splendid security for a loan of five or six thousand dollars. To-day that same bunch of cattle is security for perhaps a fourth as much. He has already exhausted that credit. His basis of credit has been depleted. The only remedy I can see is in some way to increase the farmers'

credit. If you do not do that you may create a thousand avenues for him to borrow money and it would not help him. I believe that is all I care to say.

In this conference that closed last night there was a resolution introduced. I can not just quote it now. I read it a couple of times, however. In a way it asks for just such consideration as this, with the ultimate hope of in some way stabilizing the credit of the farmer by guaranteeing to him a minimum price. We have the precedent in other business. We have it in that of farming during the war. Just one more thought, then I am through.

Mr. Sykes, and myself, believe—I believe all of us—I don't know whether Mr. Hunt does or not. But, however, after the minimum price had been removed the price of hogs went to the highest peak, after the removal of the Government guaranty of minimum price that was fixed, and that price was never broken until it was done by a set determination on the part of certain interests to break it. I would not say that our Government assisted intentionally, but they threw a great amount of meat and pork on the market just at that psychological time. But I don't believe that the matter of guaranteeing a minimum price would do anything more for the industrial life of this Nation than to establish a fair return to the farmer on his investment and for his labor. I believe that the law of supply and demand, after that price has been determined, based on the cost of production, would take care of the rest, and I think that the history of the periods through which we have just passed of price guaranteeing will certainly bear that out.

As to the matter of crop restriction, let me say this: The farmer can not restrict his acreage at the present time. He might do it, however, if he was guaranteed a minimum price. If he had some basis to work from he might perhaps restrict his acreage intelligently. But at the present time the farmer is in the condition that on every acre that he farms he has got to make up to the fullest extent. His necessities, his debts, compel him to do that.

I agree thoroughly with the gentleman and the chairman in their discussion of that question. I think that by fixing a price you can regulate the proper acreage perfectly without any other effort but that.

The CHAIRMAN. Before you close I would like to ask you about transportation charges. That, according to my idea, while not the only thing, is one of the important elements that enter into this difficulty that we are confronted with. Have you any recommendations in regard to what, if anything, could be done in regard to freight rates?

Mr. RENO. I would have mentioned that had I known it was pertinent to this investigation.

The CHAIRMAN. According to my idea, it is pertinent. You speak of the depleting of the farmers' capital, which is true. One of the things, as I look at it, that depletes it is that he has to pay so much freight on his products in order to get them to the place where they can be sold. It all comes out of him, even the freight.

Mr. RENO. I think that I thoroughly agree, Mr. Chairman, with that part of the resolution that was passed by this conference, that the freight rates be reduced to the same level as just after the war. I do not now recall the date that was set in that resolution.

Mr. SYKES. August 22.

Mr. RENO. That is right. That is as far as I would care to go. We all agree that freight rates is one of the distinct factors in this thing. Some of us disagree on how it should be reduced. Some of us think the best way is to take some of the water out of the capitalization. I would not care to go into any discussion of that at this time.

The CHAIRMAN. Is that all that you have to say?

Mr. RENO. Yes, sir.

STATEMENT OF MR. A. SYKES, PRESIDENT CORN BELT MEAT PRODUCERS' ASSOCIATION, IDA GROVE, IOWA.

The CHAIRMAN. Give your name and occupation and residence to the reporter.

Mr. SYKES. A. Sykes, Ida Grove, Iowa; farmer and live-stock dealer and president of the Corn Belt Meat Producers' Association.

Mr. Chairman, I have not come here with any well-defined ideas of my own concerning this matter. I was invited to appear before this committee. What I have to say will probably be in a sort of a rambling form, and so far as talking to the bill is concerned, I would not attempt to support it, be-

THE STABILIZING PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

If Mr. Hoover had not taken the market absolutely by the horns, as he did, and changed the situation, we would have sold the bulk of our hogs for \$1.75 to \$2 a hundred, and possibly less. There is not any question about that. That would have been the situation. Of course, at that time, Mr. Hoover had his hands on the foreign-trading powers. Of course, he brought the three elements together, the growers, the manufacturers, and the buyers. He unites them all together there, and we entered into this sort of an agreement, and it worked, of course.

Senator McNary. I understand you do not want to commit yourself to this.

Mr. SYKES. No, sir. I made that statement in the first place.

Senator McNary. Oh, I did not know that or I would not have asked that question. I did not happen to be here when you made that statement.

Mr. SYKES. Yes, sir; I made that statement in the first place.

Mr. OWEN. May I answer the question, or possibly clear up the question which the Senator raised why the stabilizing of wheat and corn prices would affect live stock?

Senator McNary. All right.

Mr. OWEN. If, as a matter of fact, we tried to stabilize prices on corn considerably higher than the normal price, the tendency would be to decrease feeding, which would, of course, decrease the supply of live stock, and that would be reflected in a higher price. As a general proposition there is a relation between the price of corn and the price of live stock, although it is not always positive.

The CHAIRMAN. Well, it would always be positive unless it was interfered with. It is a law that would be positive and operate always, would it not, unless it was interfered with by some artificial means?

Mr. OWEN. Yes, sir.

The CHAIRMAN. It is something like the law of supply and demand; it would always work if nobody interfered with it.

Mr. OWEN. He called attention to the fact that he fed 65-cent corn to 4-cent hogs. Just at present that balance is in favor of the feeder?

Mr. SYKES. Yes; it is, on hogs.

Mr. OWEN. You are getting about 60 cents for your hogs?

Mr. SYKES. Yes, sir.

Mr. OWEN. But over a series of years that relation, you will find, does exist. You will find that there is a very decided relation between live stock and corn.

Senator McNary. I think that is quite true in ordinary times, but do you think it desirable to decrease the quantity of live stock by increasing the price of corn?

Mr. OWEN. Of course, frankly, I am not particularly interested in the price of cattle. According to the old saying, you can not make a yearling steer unless somebody gets busy with cattle instead of getting out of cattle.

The CHAIRMAN. I think, Mr. Owen, from the question of Senator McNary, there is probably a little misunderstanding among those who advocate the fixing of a minimum price. They do it at least on the theory and belief that it will stabilize the market and prevent a loss. They are not interested in making it higher, but they want to keep the fellow who produces it from suffering a loss. Whether that will work or not is another question. It may be wrong, but that at least is their theory.

Senator McNary. Well, I accept that.

Mr. OWEN. The tendency is when we lose a thing to go back where we lost it. This country lost its prosperity when we had no control of live stock prices in this country. The price became so low that there was no longer a possibility of the farmer buying anything, and that is reflected in every industry in the country, and it has hurt. There is no question about that. If you paralyze the purchasing power of half of all the people in this country, or half of the buyers in the world, there is only one thing that you can do. That is, of course, a serious question before this country. That is the reason why we find it all over the country. We never had such a case in the Nation before.

I don't see a chance for prosperity to come back unless the farmer can get better prices. Now, how is he going to get better prices under present conditions and present freight rates? Is it advisable that we let it run along as it is, or should something be done to bring agriculture back so that at least they will get something beyond the cost of production; so that they can buy machinery and buy everything else that they need that are now necessities of life, which they can not buy now in a good many of the States.

Mr. SYKES. There is just one matter that slipped my mind, Mr. Chairman, and that was the protest against our prevailing high cost of transportation. Of course there is not any question but what it is a great handicap to the farmers, and I have been heartily in accord with the resolution that called for the expunging of the recent 35 per cent rate advance that was made under Ex parte 74. I think that it should be taken immediately off, and that we should go back at least to our war basis of freight rates, if not beyond that.

And then there is one more point, and that is this, that the present unbalanced parity between the price of hogs and corn is going to create a condition in this country, if it is not remedied, that in possibly another year the hog man is going to be just where the corn man is now, and the corn man may be where the hog man is, because there is going to be an overproduction of hogs in this country. There is not any question about that, because hogs are profitable, and hogs and hens are the only things that are profitable on the farm at the present time. They are the only things that are making the farmers any money, and those are the things that all of the farmers are turning to. So, unless something is done to bring up the price of this corn, of course, they are all going to try to raise hogs, and the result will be that hogs will be way below the cost of production, and corn may be beyond that. For that reason I think there should be especially some move made to try to balance up these two staple articles of farm production.

Senator McNARY. That is an interesting theory. Of course, you can maintain a relation between two commodities whose price is guaranteed, but if I can put out a crop of corn, knowing that the Government will save me from loss and perhaps give me a profit, why should I go to raising those products where I know there will be a loss? Would not the tendency be to go to the products that are guaranteed against loss?

Mr. SYKES. I don't think so. That was not true during the war. The farmers kept right on raising corn, and kept right on raising hogs.

Senator McNARY. That was true because they all had a very unusual price. All agricultural products were in demand. We were shipping thousands and thousands of tons of our agricultural products abroad. Here we are dealing with a surplus.

Mr. SYKES. But, Senator McNary, please remember this, that at the time Mr. Hoover fixed a tentative price on hogs at \$15 as an average, corn was selling from 75 cents to 80 cents in the country.

Senator McNARY. I don't see any comparison between hogs and corn. Let me ask you this question. Oats to-day are selling around 25 cents a bushel?

Mr. SYKES. Yes, sir; in the country.

Senator McNARY. Why should I raise oats at 25 and 30 cents a bushel when I know the Government would pay me a price for wheat and corn that would insure me against loss, and possibly give me a profit? Who is going to raise oats or barley or rye or potatoes or onions or other vegetables, and who is going to cultivate and spray their peach orchards, their apple orchards, or their pear orchards when they can not sell their products, when the Government is going to stabilize other products?

The CHAIRMAN. If that were true, the first thing I would do if the Government stabilized wheat, I would go to raising corn, knowing that everybody was going to raise wheat, and I would make a profit out of my corn crop. That would regulate itself every year. Corn would go out of sight if they would all do that. You couldn't get it.

Senator GOODING. Corn is one of the products that would be guaranteed.

The CHAIRMAN. Assuming that corn would not be guaranteed.

Senator GOODING. I know, but you are assuming a condition that is specified in this bill.

The CHAIRMAN. Assuming that we would not guarantee corn under this bill. Well, take oats.

Senator GOODING. Yes, sir.

The CHAIRMAN. Then I would go to raising oats if everybody else was going to raise wheat and corn, and I would get a big price for my oats.

Mr. SYKES. That is just what I was going to say, that oats would advance way beyond what the crop was worth.

The CHAIRMAN. If everybody else was raising some other commodity, the price of that commodity is going to go up.

Mr. SYKES. We had a sample of that while wheat was guaranteed. Oats went up to 90 cents a bushel in the country while we had a guaranteed price on wheat, because the people, as you say, were raising less oats and more wheat.

Senator McNARY. Then here is the other dilemma: Who pays for this grain surplus that we have if we have a lot of people raising wheat in addition to that which we consume? Does it fall upon the public, the consumer, or the taxpayer? Who pays for it? If the Government finds itself with a hundred and fifty million dollars worth of wheat to carry over to the next crop, who pays for it?

Mr. SYKES. I think the taxpayers would pay for it, Senator McNary.

Senator McNARY. Would not the consumer pay his share?

Mr. SYKES. I think he should pay for it, because the farmer—the producer—has certainly borne his share of it during the last two years.

The CHAIRMAN. There is no doubt about that. The taxpayer would have to pay it. The theory of those who back that up is that the next year when the guaranty would be put down lower they would sell that and probably make, as the Grain Corporation did during the war, several million dollars, and that would be paid over to the Treasury and the taxpayer would get something for nothing. One hand would wash the other in the end. The Wheat Corporation made a profit of \$50,000,000.

Mr. SYKES. That came out of the producer.

The CHAIRMAN. That came out of the farmer. The farmer produced every bushel of it.

Senator McNARY. That was not profit.

The CHAIRMAN. Yes; that was profit.

Senator McNARY. When you take a dollar out of my pocket and then give it back to me I don't see how I am making a dollar's profit.

The CHAIRMAN. They didn't give it back. They haven't given it back yet.

Mr. SYKES. On top of that we lost \$5,000,000, in addition to that \$50,000,000 they took from us during the war period.

Senator HARRELD. You were speaking about oats just now?

Mr. SYKES. Yes, sir.

Senator HARRELD. The commission during the war had authority to fix prices, didn't it?

Mr. SYKES. Yes, sir; Mr. Hoover did.

Senator HARRELD. Would a commission under this bill have any greater power than that commission had?

Mr. SYKES. No, sir.

Senator HARRELD. Yet he was unable to maintain his guaranteed price on hogs. They made the guaranty there of \$15 a hundred.

The CHAIRMAN. Of course, that was not a parallel to this bill. Mr. Hoover had no legislative authority.

Senator HARRELD. I was just wondering how you could frame legislation.

The CHAIRMAN. That was not by legislative act.

Senator HARRELD. We can not by legislation fix a price on everything. If we are going to have price fixing it must be by administrative authority.

The CHAIRMAN. Yes; but, Senator, that power to fix it will be given by statute. There was not any such power given to Mr. Hoover. He controlled that by virtue of the fact that he had control over the buyer. He had not any legislative authority to do that.

Senator HARRELD. Your chief argument is that this bill itself, if it is passed, will fix the price of wheat and corn, and it will not fall below that, yet Mr. Hoover guaranteed the price on hogs, and it went below that guaranteed price.

Mr. SYKES. It didn't when he went about it in a businesslike way and tied up the fellow that was buying the meat; but prior to the time he did that, of course, they saw an opportunity to make a lot of money and to buy a lot of cheap meat, and the packers saw an opportunity to buy a lot of cheap hogs, and they broke over; but when he tied up the three elements, the producer, the manufacturer, and the buyer, the thing went off without any trouble.

Senator HARRELD. That is just the point. He didn't hold the price of hogs up in that instance.

Mr. SYKES. He would have if the other fellow had stood by his contract.

The CHAIRMAN. Would he not have held it up if there had been a statute providing for the purchase of that meat by the Government?

Mr. SYKES. Absolutely.

The CHAIRMAN. That is the difference between that proposition and the one that we have here.

Mr. SYKES. You see Mr. Hoover was dealing, of course, with the foreign buyers entirely.

The CHAIRMAN. He could not buy hogs.

Mr. SYKES. He could not buy them.

STABILIZING PRICES OF CERTAIN AGRICULTURAL PRODUCTS. 79

The CHAIRMAN. Mr. Hoover did not have authority to buy a pound of meat.

Mr. SYKES. No, sir; it all had to be bought by the foreign buyers.

Senator HARRELD. You say he did not have authority. Then there was no guaranty, as a matter of fact, was there? If he didn't have the authority to make a guaranty, there was no guaranty.

Mr. SYKES. There was no guaranty.

Senator GOODING. There was an agreement and that was not carried out. Later there was an agreement that was lived up to, and the price was maintained after that.

Senator HARRELD. What I am trying to find out is on what you base your belief that this guaranteed price will keep the price up unless the Government buys the wheat.

Mr. SYKES. Of course, I know that was true in regard to wheat.

Senator HARRELD. I am only citing the fact that it did not keep the price up in that particular instance.

Mr. SYKES. In this particular instance I refer to, it didn't.

The CHAIRMAN. The guaranty will not do any good if it does not have the effect of keeping up the price. If it does not keep up the price, of course, it won't hurt anybody. We might pass the law and it would not do any good, if that is true.

Senator GOODING. We have a serious condition that we have to meet by legislation. Now will it work out in results? That is what we are trying to find out.

Senator HARRELD. What I am trying to do is to get him to explain why Mr. Hoover's guarantee did not work out as he says this guarantee will work out.

The CHAIRMAN. I haven't any right to defend the witness, but you are not putting a parallel proposition to him. There was no statutory guarantee such as this bill proposes in regards to hogs. There was not any guarantee of the hog price.

Senator HARRELD. I asked him if the Hoover commission had power to make that price, and he said they did.

Mr. SYKES. Of course, I am not familiar enough with the legislation or the power that Mr. Hoover had to answer that question. We took it as a guaranteed price.

Senator HARRELD. I was going on your statement that he had authority to make it.

Senator GOODING. He did fix the price of wheat and it stayed fixed.

The CHAIRMAN. It stayed fixed because we authorized the purchase of anything that went under that. That is the way they propose to fix this.

Mr. SYKES. But you didn't do that, as I understand it, with hogs.

The CHAIRMAN. We did not do that with hogs. Whether it is right or wrong is another question, but there is no doubt if a man stands ready to buy all the wheat that is sold at a dollar a bushel and has money enough to buy it the price will be a dollar a bushel. At least it will not go below that. There is no question about that.

Mr. SYKES. None at all.

The CHAIRMAN. Of course, if we guarantee the price of a thing, we must stand ready to buy it.

Senator HARRELD. I am talking about the assertion that the Government fixing the price would not involve the Government in an obligation to buy the wheat and buy the corn.

The CHAIRMAN. Of course, that is another question.

Senator HARRELD. I am directing my questions to that phase of the argument.

Mr. SYKES. I did not make any such statement as that.

The CHAIRMAN. Is Mr. Lyon here?

Mr. LYON. Mr. Chairman, I expect to be here next week, and I understand there are some others who want to get away.

The CHAIRMAN. Very well. Is Mr. Hunt here?

**STATEMENT OF MR. C. W. HUNT, PRESIDENT FARM BUREAU
FEDERATION, DES MOINES, IOWA.**

Senator McNARY. State your name.

Mr. HUNT. C. W. Hunt.

Senator McNARY. What is your occupation?

Mr. HUNT. I am president of the Iowa Farm Bureau Federation.

Senator McNARY. Have you read the so-called Ladd bill?

Mr. HUNT. Yes, sir; hurriedly.

Senator McNARY. You are familiar with the general ideas that are embodied in the bill?

Mr. HUNT. I think so.

Senator McNARY. Do you desire to make a statement to the committee concerning this bill, its practicability or workability?

Mr. HUNT. I don't know that I have any desire to make any statement. I don't desire to defend the bill. I am not convinced that a guaranteed price is a good thing for this country at this time. I do know, however, that the serious condition of the farmers of the corn belt and a large part of the United States calls for emergency remedy of some kind to cure the situation.

Senator McNARY. Have you any remedy to suggest, Mr. Hunt?

Mr. HUNT. Well, the only desire that I had to come before the committee was to suggest an emergency remedy. I don't know that it is sound. I don't know that it will bring about the remedy, but I think it is the only thing that I have thought of.

Senator McNARY. All right. Let us have it.

Mr. HUNT. It might bring some results. I mean immediate results. Everybody agrees that unless the farmer can get a better price for his products that are grown on these farms they are going to go bankrupt.

Senator GOODING. Going to go? Why don't you say he is already bankrupt; can't redeem himself?

Mr. HUNT. He is bankrupt, but they have not all found it out yet.

Senator McNARY. He has not acknowledged it?

Senator GOODING. They are all bankrupt in my country.

Mr. HUNT. You are not hit any harder than the farmers of Iowa. The situation of the farmers to-day is actually that 75 per cent of the banks are bankrupt, and also the farmers.

Senator McNARY. What is your remedy, Mr. Hunt?

Mr. HUNT. The only remedy for Iowa is to get rid of the surplus corn. We have, out in Iowa, carried over from last year, something like between sixty and eighty million bushels.

Senator McNARY. How do you propose to do that practically?

Mr. HUNT. The only way to get rid of it is to ship it out to some of those people in Europe that are starving and want it.

Senator McNARY. You want the Government to buy it and ship it to them?

Mr. HUNT. I think the Government might do that, but that is not what I am proposing. I am proposing that we refund this foreign debt; that a commission be authorized to cancel interest due from any country that will buy agricultural products in this country.

Senator McNARY. Well, you mean to convert the interest into agricultural products?

Mr. HUNT. Yes, sir.

Senator McNARY. So you would forgive them their paying the cash or offering security if they would buy our surplus agricultural products?

Mr. HUNT. Of course, that works to the advantage of the Government. I think we would be justified in doing that.

Senator McNARY. Now, returning to this bill, do you believe in fixing a minimum price on the four staple agricultural products proposed in the Ladd bill?

Mr. HUNT. I am not convinced that the bill would be practicable. I don't know but what you might get in a worse condition financially than you would be by buying this surplus and getting it out of the way.

The CHAIRMAN. Your idea is that the foreign Governments take farm products and pay for them at the market price and that we would forgive their interest?

Mr. HUNT. That is my idea, as an emergency measure.

The CHAIRMAN. But if they didn't pay the interest because they haven't got the money, then they couldn't perform the other operation.

Mr. HUNT. I understand that England has already paid \$400,000,000.

The CHAIRMAN. Yes; several countries have paid some of the interest.

Senator GOODING. All those countries have their colonies, and they must leave their markets open. They could not close their markets to their own colonies.

Senator HARRELD. As a matter of fact, England will not purchase anything from anybody else except that which she can not get from her own colonies and from Australia.

Mr. HUNT. Of course, I feel that the Government can afford to take a little hance on the farmer at the present time. If the farmers fall, everybody else is involved, and the farmers are starting to fall now. Unless we get some relief very soon, there will be all kinds of grief.

Senator GOODING. Why do you grow so much corn? Can't you grow something else besides corn? Can't you grow flax in the State of Iowa?

Mr. HUNT. No, sir.

Senator GOODING. They can grow flax in North Dakota, and they can grow hemp in North Dakota.

Mr. HUNT. There is not any of either grown in Iowa.

Senator GOODING. Why don't we produce other crops in this country? We need not have any open competition in this country, but we can go ahead and produce flax and hemp and everything that we need in this country, and we would not have a surplus of corn and a surplus of wheat.

Mr. HUNT. That is a matter that would take a long time to work out in this present situation.

Senator GOODING. I agree that that will take time. I have no doubt about that. But that is what you finally have to do if you are going to stabilize agriculture in this country at all.

Mr. HUNT. If you are going into that, that is a question of protecting the agricultural products of the United States against Argentina and other countries. If you are going to put a wall around the United States I would not object to your doing it, so far as that is concerned. You must equalize our agricultural products; raise more sheep in Iowa and in the United States.

Senator GOODING. You would if you made a profit. The farmer will do anything that is profitable.

Mr. HUNT. He runs wild after anything. He will grow potatoes or anything that he can make a profit out of.

The CHAIRMAN. The trouble is they all go after the thing that is profitable.

Senator GOODING. He will grow anything that is profitable. Take away a million acres of land to produce sheep, another million to produce enough flax so that we will become self-sustaining, and you won't have any surplus wool or any surplus corn or any surplus wheat. We only have 5 per cent surplus now. That is easy to dispose of if we had some intelligent direction of agricultural products of this country, which we have never had. That is the way you can reach this thing. But I agree with you thoroughly that we have a condition confronting America that can not come back until agriculture comes back. People who are organized, organized labor, which stands up and is able to force its demands on the public, is getting bigger pay than they ever had before, because they are buying cheaper. Wages in some lines have not been reduced at all where they have strong organization. That is true of some of your trusts in this country. They have not reduced much, and they are on a profitable basis. Is agriculture going to organize to do something for themselves?

Mr. HUNT. Labor has been organized for 30 or 40 years. These other industries have been organized for a great many years. Agriculture, so far as organization is concerned, is only three years old.

I think we could get relief from the situation if we would take this surplus corn and didn't do anything else with it but take it out in the ocean and drop it.

Senator GOODING. They are burning it out in Iowa, are they not?

Mr. HUNT. Yes, sir. Of course, I am not advocating that.

Senator GOODING. You want us to find a remedy to save the life of the country?

Mr. HUNT. Yes, sir; and you will have to find it quickly or else the patient will be dead.

Senator GOODING. I agree with you, there is not a ray of light for agriculture at the present time. You are only as well off as you are to-day because Russia has gone to pieces, has been demoralized, and without a government at all. At one time a great feeder of the people of the world, she now has to be fed. I think we have got a mighty serious condition confronting the country, and I don't think it is fully realized. I don't think there is any doubt about that.

Mr. HUNT. I think deflation had a lot to do with that.

Senator GOODING. The question comes, What are we going to do in order to save the country?

The CHAIRMAN. Is that all, Mr. Hunt?

Mr. HUNT. I have nothing further to offer.

STATEMENT OF MR. C. E. SPENCE, MASTER OF OREGON STATE GRANGE, OREGON CITY, OREG.

Senator McNARY. Will you make a brief statement, Mr. Spence, to this bill?

Mr. SPENCE. Mr. Chairman, I am not absolutely certain that this bill would meet the condition entirely, but I do believe it would help. I think there is a lot more that would have to be done. Deflation, I think, is the main cause of our troubles. Either the land bank or Federal reserve bank should be fixed in some way so that farmers could get ahead. That is essential also. Put a farmer or some one who understands the farming conditions on that board and they would not make the same mistakes. They are multiplying the farmer's debt, adding to his taxes, and they tell us he has not any more credit, and he hasn't, because they have cut off the value of his assets. Then, after that was done something else should be done. The profiteer should be attended to, because if he is allowed to put up his prices according to the prosperity that the farmer has got, you are not doing anything. The farmers will get just the same eventually.

One of my neighbors took a cowhide into town and got \$1.40 for it. He wanted to buy harness, and the cheapest harness he could get they asked \$65 for. It would take 60 cowhides to buy that harness. There wasn't any freight in it. It was not shipped by rail, so it is not all freight rates, either.

The CHAIRMAN. What is your idea about freight rates? Have you got any suggestion to make as to what should be done?

Mr. SPENCE. Yes. I suggest that freight rates be cut down about equal to what they were before that 35 per cent raise, and I would suggest that the laboring men or the wage earners that are getting the highest rate could be cut a little, but that the cut should begin at the top. I mean that the presidents of the railroads, for example, that are getting \$80,000 or \$90,000 a year should be cut down first.

The CHAIRMAN. Don't you believe that the cut in wages and in freight rates should all come at the same time?

Mr. SPENCE. Yes, sir.

The CHAIRMAN. You think that is what we need?

Mr. SPENCE. Here is another proposition we must take into consideration. The railroads are up against the proposition that the auto busses and trucks are taking a lot of their best-paying traffic away from them. If we are going to guarantee them a fair return on that old business and their old capitalization, we are going to be up against it eternally.

The CHAIRMAN. Is not this true, that one of the reasons why they have lost a whole lot of that traffic is because they have had their rates so high that there was an inducement to the truck people to come in and take the business?

Mr. SPENCE. Absolutely. It is their own fault. And that is why there are so many men idle, because they have not gone after the business in a business-like way. Apparently they don't care.

The CHAIRMAN. In other words, the railroads can bankrupt themselves by charging too high rates, just as quick as anybody?

Mr. SPENCE. If it was done with the deliberate intention of bankrupting the railroads, by making it unprofitable to ship, or to use as a club over the laboring men, they could not have done any better than they are doing.

Senator GOODING. It takes courage to settle this question. There is not any doubt about that in my mind. I think a reduction of freight rates will mean a reduction in the cost of living for railroads, and they can afford to take a reduction. I agree with you thoroughly it ought to start from the top. In that way we can begin to get relief. We can not get much relief in Oregon and Idaho without a reduction in freight rates.

Mr. SPENCE. The statement was made yesterday in the conference that the average salary received by the railroad men was \$1,620. If I am correctly informed, that includes the salaries of all the officers. I have railroaded some, and the man that is receiving \$1,620 at present prices and maintaining two homes, one at each end of the run, which he practically does, is not getting rich very fast, either.

Senator GOODING. He is getting a lot more than the farmer is getting for his work and his investment at the same time, is he not?

Mr. SPENCE. I guess so.

Senator GOODING. There is no doubt about that. You know he is getting a lot more than the man on the farm is getting.

Senator McNARY. Has there been a very great decrease in farm wages in the last two years?

Mr. SPENCE. Yes, sir; quite a large decrease. I know this last year it was down. It came down pretty well. The great difficulty with that, though, is that the farmers have not been hiring. They have been doing their work themselves.

The CHAIRMAN. You people are engaged in fruit raising to quite an extent, I judge.

Mr. SPENCE. Yes, sir.

The CHAIRMAN. Members of your union are fruit raisers?

Mr. SPENCE. Yes, sir; members of the grange are fruit raisers. We have practically three countries there.

The CHAIRMAN. Depending on which side of the mountains they are in.

Mr. SPENCE. Yes, sir.

The CHAIRMAN. I wish you would give us an idea, if you can, when we buy apples, for instance, here in Washington, coming from your country, as we do very often, how much of it is freight and how much of it goes to the commission man and how much of it goes to the producer.

Mr. SPENCE. I would rather you would ask Mr. Lewis that question.

Senator McNARY. He is manager of the Cooperative Fruit Growers' Association.

The CHAIRMAN. Were you through, Mr. Spence?

Mr. SPENCE. I think so, unless you have some questions to ask.

**STATEMENT OF MR. C. I. LEWIS, ASSISTANT GENERAL MANAGER
OREGON COOPERATIVE FRUIT GROWERS' ASSOCIATION, BAKER
CITY, OREG.**

Mr. LEWIS. I have figures in my room, at the New Ebbitt Hotel, of the entire shipment this year from our valley, of pears and two of our big lines of apples, which will give you exactly, on our entire tonnage, what our growers got on the gross or the net and the proportion of freight.

If you take the gross sales of the average this year, the railroads got about 46 per cent. If you take the proportion which the growers actually got and compare it with what the railroads got, the railroad got 193 per cent and 170 per cent of that total money.

Senator McNARY. I don't get that.

Senator GOODING. How much less did the farmer get than nothing?

Mr. LEWIS. The railroad gets more than a 50-50 break with the grower.

The CHAIRMAN. I understand that.

Mr. LEWIS. We pay the railroads more money than we pay our growers.

The CHAIRMAN. That is what I am getting at.

Senator McNARY. Speaking of "we," you are referring to the Cooperative Fruit Growers' Association, which handles the fruit?

Mr. LEWIS. Yes. I can give you those figures.

The CHAIRMAN. I would like to have them go into the record.

Mr. LEWIS. I will submit them. The items run something like this: Say we sold, if I remember right, one lot of fruit, \$140,000 worth, and the producers got actually about \$30,000.

Senator McNARY. The railroads got 46 per cent?

Mr. LEWIS. Yes, sir. On your gross sales.

The CHAIRMAN. The railroads get 46 per cent. That is what I am getting at. They take the 46 per cent. How much does the commission man take?

Mr. LEWIS. The commission is comparatively low. We pay about 5 cents a box.

The CHAIRMAN. Can you give it to us on a percentage basis?

Mr. LEWIS. It is about 1 per cent. It is very small.

The CHAIRMAN. Is that all it costs?

Mr. LEWIS. That is all the wholesaler gets.

The CHAIRMAN. That 1 per cent pays from the producer to the consumer?

Mr. LEWIS. That pays at the sales end, at this end of the game.

The CHAIRMAN. How far does that take the fruit?

Mr. LEWIS. Our own sales cost and organization and everything is 6 per cent.

The CHAIRMAN. I am trying to account for 100 per cent now.

Mr. LEWIS. Yes.

The CHAIRMAN. I wish you would give it to me. Forty-six per cent to the railroads; to the grower how much? How much does he get, now? What per cent does he get?

Mr. LEWIS. I would have to look over my figures.

The CHAIRMAN. I thought maybe you had that in mind. Work that out and give it to the reporter.

Mr. LEWIS. I will give the whole thing to you. I have it down to the hot point.

The CHAIRMAN. I would like you to take your fruit grower on a 100 per cent basis all the way through.

Mr. LEWIS. This year the apple situation was peculiar, and we thank heaven for it. The West had all the apples. We had about 44,000 acres. We didn't have anyone to compete with. If we had, it would have been a calamity.

Senator GOODING. With your freight rates on the Pacific as they were last year, 35 per cent increase, would you have been able to ship your apples at a profit?

Mr. LEWIS. No; we got less money for apples this year than we did last year. The CHAIRMAN. That means, Mr. Lewis, that while the consumer was paying a highest price in history for his apples, you were getting the lowest price.

Mr. LEWIS. Yes. I will give you an example of that. The average apple pack of Oregon will bring us 1½ cents, out of which we must take all packing charges, all sales charges, and all growing charges—a cent and a half.

The CHAIRMAN. A cent and a half an apple?

Mr. LEWIS. Yes, sir.

Senator McNARY. That is about 96 to the bushel?

Mr. LEWIS. They will run 64 to 200 to the bushel. Let me say, an average about 150. I was just making a tour down to Texas and New Orleans and through there, going to some places where I sold some of those apples, and found those same apples retailing at from 10 to 12 cents apiece. The same apples I sold for a cent and a half you are paying 10 or 12 cents for. I saw 30 or 40 cars in this city. I have been going around to the fruit stands here and you can't buy these same apples for less than 10 cents.

Senator GOODING. You follow that apple up to the consumer, and find out how many hands it goes through; what the wholesaler charges to the retailer, what the retailer gets, and the fellow who sells them on the stand. Have you got that information together?

Mr. LEWIS. Yes, sir; I can submit it for you.

The CHAIRMAN. I am not wanting to trace it to the man who sells it at the stand to the fellow who buys it to eat, but I am trying to trace it to the man that buys it at the store and uses it.

Senator GOODING. I would like to have a complete statement.

Mr. LEWIS. Referring to this other matter that you are discussing, as a free organization, of course, we are not asking for the fixing of prices or anything like that, but we have found this situation this year, that where we have formerly been able to sell fresh fruit, canned fruits and dried fruits in large quantities in the Middle West, the agriculturalists have been doing no business at all.

Senator McNARY. He has not got the money to buy.

Mr. LEWIS. He has not got the money to buy, and our only salvation is that our crop has been light and that the East had no crop of apples. That has been our only salvation.

Senator GOODING. That is true of potatoes, too.

Mr. LEWIS. If it had not been for that situation there would have been a collapse of our industry in the Northwest. Take the State of Iowa. It is one of our best markets, and Oklahoma a year ago. We sold dried fruits and fresh apples. We can do practically nothing there this year. They simply tell us "We haven't the money to buy with. We can not buy it." And they are not buying it. The situation in that respect, it looks to me as if it was getting worse all the time.

(At 12 o'clock noon the committee adjourned until 10.30 o'clock a. m. Tuesday January 31, 1922.)

STABILIZING THE PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

TUESDAY, JANUARY 31, 1922.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met pursuant to call at 10.30 o'clock a. m., in room 112, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris, Harrelid, McNary, Capper, Gooding, Ladd, Heflin, and Caraway.

The CHAIRMAN. Let us come to order. We will go ahead with this case, although we will probably have to adjourn at 11 o'clock.

STATEMENT OF MR. WILLIAM H. LYON, OF SIOUX FALLS, S. DAK.

Mr. LYON. My name is William H. Lyon, of Sioux Falls, S. Dak. I am a lawyer, and have been in attendance here as a delegate to the agricultural conference. I might say, by way of parenthesis, that I do not represent any organization of any kind or character, and I am here at my sole cost and expense. But I am very deeply interested in agriculture.

Some of you gentlemen may remember that I appeared before this committee in December, 1920, and presented to your honorable body the proposition for stabilizing the price of farm products. It received apparently favorable consideration by some of the members, but not of the entire committee.

I do not think that any member at this time, by referring to the agricultural tragedy of the past year, would be unwilling to say that if that bill had been passed at that time that present conditions would have been immensely improved. I am not blaming the committee for lack of interest, as in my own State, when I first submitted this matter to our people, it was regarded as a Utopian dream, and when I introduced in the house of representatives of our State a memorial asking Congress to stabilize the price of farm products, while it received unanimous support, it was adopted, I am frank to say, largely as a matter of personal friendship.

Since that time, however, a great change has taken place. The bankers and leading business men of our State have come out in published interviews in favor of the stabilization plan. Numerous meetings of chambers of commerce and commercial clubs and other organizations have approved the measure and sentiment has developed tremendously in its behalf.

A short time since the State convention of the South Dakota Cooperative Grain Dealers was held at Huron, embracing a membership of 400 or 500 grain dealers of the State, and they unanimously indorsed the stabilization plan as embraced in the Christopherson bill.

Mr. Young yesterday stated before the House Committee on Agriculture that he had received a petition signed by 254 people from a single community in North Dakota in favor of the passage of the Christopherson bill.

Senator MCNARY. Is that the same as Senator Ladd's bill?

Senator LADD. It is somewhat different.

Mr. LYON. The Christopherson bill—H. R. 7735—was introduced July 12 last by Congressman C. A. Christopherson, from South Dakota.

The State proposal meetings, as we call them, commonly known as State conventions, were held at Pierre on the 6th of December last by each of the three political parties, as required by law. The Democrats gave the proposition a partial approval, but the Non-Partisan League indorsed the plan, except that

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instead of the stabilizing commission provided for in the Christopherson bill they advocated a revival of the United States Grain Corporation through which the plan might function.

The Republican platform committee reported the stabilization plank to the convention in the following form:

"A bill incorporating the Lyon plan has been introduced by Congressman Christopherson. Our entire delegation in Congress is intensely interested in bringing about the final and most beneficial plan of procedure. We believe the Republican Congress will solve the problem, and solve it properly. We commend all who are engaged in this great and important undertaking. We urge a continuance of this work."

This plank, however, was not satisfactory to the convention. So, upon the floor of the convention, the following amendment was introduced.

Senator McNARY. Is this the platform of the Republican Party of South Dakota?

Mr. LYON. It is embraced in the platform of the Republican Party of South Dakota. I thought it would be of interest to you as showing the local sentiment of our State. This was the amendment offered upon the floor of the convention:

"We pledge our entire congressional delegation to a continuance of their untiring efforts in behalf of the Christopherson bill for stabilizing prices on staple farm products by having the National Government guarantee, in advance, a reasonable minimum price for the surplus, if any, remaining on hand at the end of the crop year, which will not only give immediate relief to agriculture but permanent prosperity to business and industry throughout the land."

This amendment was received with such enthusiasm upon the floor of the convention that it was agreed to by the chairman of the platform committee without a vote, and the entire plank as amended was then indorsed by the convention by a vote of approximately 10 to 1.

I might also say that I presented this matter to the State farm bureau at their meeting at Huron a short time since. They did not give it their unqualified indorsement, but passed the following resolution:

"*Be it resolved*, That we recommend that this plan (the Christopherson bill) be referred to the Agricultural Conference called by President Harding for careful consideration and study.

"And we further recommend that the conference take such steps in connection with it as may best promote American prosperity, giving due consideration to all of the plans presented."

Perhaps, to make this presentation complete, I had better also incorporate the provision which the agricultural conference adopted.

Senator GOODING. I rather think so, unless it is already in the record.

Mr. LYON. I will give it to you.

Senator McNARY. That is the action that was taken?

Mr. LYON. Yes.

Senator McNARY. That was placed in by John A. Simpson, of Oklahoma.

Senator CAPPER. What was the action?

Senator GOODING. I would like to know, too, because it is not very clear.

The CHAIRMAN. It is quite a glittering generality.

Senator McNARY. They kind of passed the buck.

Mr. LYON. Yes; they put it up to Congress to put across.

Senator GOODING. I would like to hear it, if there is time.

The CHAIRMAN. Read it again.

(The statement referred to was thereupon read by Mr. Lyon.)

Mr. LYON. I was on the subcommittee, also Mr. E. T. Meredith. Mr. Barnes was also on it, and you can imagine how far we could go with Mr. Barnes.

The CHAIRMAN. Why is that?

Mr. LYON. I may say something about him later, but I do not want to say anything unkind.

The CHAIRMAN. He is a farmer.

Mr. LYON. Julius H. Barnes?

The CHAIRMAN. He has a farm on—what do you call it—Wall Street?

Senator GOODING. Please read that.

Mr. LYON. The report of the committee, No. 7, of the agricultural conference called by President Harding embraced the following in their report, which was adopted by the convention:

"With respect to the question of governmental price guaranties, we feel that there should be a comprehensive study of this subject; therefore, we urge that

the Congress cause a careful investigation of this whole problem to be made by some proper authority, which will report its findings as early as practicable."

That was as far as our subcommittee could mutually agree.

Senator GOODING. What did you mean, your congress or the farmers' congress?

Mr. LYON. It referred the matter to the United States Congress.

At a meeting of the full committee the next evening the following statement was adopted and embraced in the proceedings of the convention, as follows:

"Agriculture is necessary to the life of the Nation."

Senator CARAWAY. I heard that before.

Senator GOODING. Did that bunch of fellows say that down there?

Mr. LYON. Yes. Why not?

"And whereas the prices of agricultural products are far below the cost of production, so far below that relatively they are at the lowest in the history of our country; therefore it is the sense of this committee that the Congress and the President of the United States should take such steps as will immediately reestablish a fair exchange value for all farm products with that of other commodities."

The CHAIRMAN. When was that adopted?

Mr. LYON. About 2 o'clock in the morning.

The CHAIRMAN. Was that a substitute for the other provision, or in addition to it?

Mr. LYON. No; it was not a substitute. It was an addition.

The CHAIRMAN. Yes.

Mr. LYON. And to clarify stabilization in a way, as the committee were not satisfied with the shape that it was left in by the subcommittee's report.

The CHAIRMAN. It made it perfectly clear.

Mr. LYON. There was a real stabilizing plank that I offered in the subcommittee, but it did not get out.

Senator GOODING. What would you expect at 2 o'clock in the morning?

The CHAIRMAN. In prohibition Washington.

Mr. LYON. The speeches made on the floor of the convention indicated clearly that the meaning and the intention of the committee was to indorse price stabilization.

Senator GOODING. Who wrote the resolution?

Mr. LYON. The first one was written largely by Mr. Barnes and Mr. Meredith.

Senator LADD. How many members are on that committee?

Mr. LYON. On the committee or subcommittee?

Senator LADD. All right, the subcommittee?

Mr. LYON. I think about 9 or 10.

Senator LADD. And how many of those were real farmers? You spoke of Mr. Barnes.

The CHAIRMAN. Mr. Simpson, of Oklahoma, was a real farmer, and he was on it.

Mr. LYON. I think so.

The CHAIRMAN. One out of nine—a pretty good ratio.

Senator GOODING. Were there any real dirt farmers there?

Mr. LYON. Yes. I was not personally acquainted with them, but I am satisfied that there were, and really I think they were all sincere in what they did. I am frank to say this, gentlemen, that the purpose of that conference, as I understand it, was to suggest some method of present relief, and also a permanent policy for agriculture, that would prevent the recurrence of present disastrous conditions, and I am frank to say that these sections alone to which I have referred are the only actions of the entire conference which if acted upon by Congress would, in my opinion, have any tendency toward immediate relief for agriculture or a permanent policy assuring profitable agriculture. The plan was not specifically provided for. That is up to you.

Senator HEFLIN. Those statements they did make were by those who were not representative farmers?

Mr. LYON. There was some kicking over the traces, but on the whole I think the people who were there were satisfied that they did the very best they could.

Senator HEFLIN. I mean the resolutions they passed were not specific and were not satisfactory to the farmers of the country?

Mr. LYON. The farmers of the country, Senator, have never generally been advised as to what the cause of their trouble is. I do not think there is any general consensus of opinion among the farming interests upon that subject, and that is the one thing I wanted to talk to you gentlemen about.

Senator HEFLIN. I gathered from your statements that the resolution passed did not reach the question and would not be satisfactory to the farmers of the country who are so much in distress?

Mr. LYON. I would not just like to put it in that way. It would not be proper for me to criticize the action of the conference in any way. I feel it was called in good faith, and the delegates did everything that they thought they could for the benefit of the farmers, but I am frank to say that they did not reach, in my judgment, the root of the trouble, or indicate the basic cause of the trouble with agriculture, or specify the real remedy that should be applied.

Senator HEFLIN. The president of the American Cotton Association, Mr. Wanamaker, told me he requested 45 or 50 farmers be appointed—he designated some from the South and some from the West, and that only four or five were appointed, and they declined to name the others.

Mr. LYON. I am frank to say that I do not think it was a cut-and-dried affair, as some have intimated. If it had been, I would not have been selected as a delegate, because Secretary Wallace and I differ very materially upon the stabilization question.

Senator HEFLIN. It did have a few farmers there; they put in a few, so they could say there were a few farmers present.

Mr. LYON. I thought that there were quite a number. The farm organizations were largely represented. I think the real purpose of the President and the Secretary was to have not only agriculture represented, but all the allied interests, on the theory that the interests of agriculture were the interests of all, and that some policy ought to be agreed upon that would be not only just to agriculture but also the consumers.

Senator HARRELD. Which element dominated the meeting?

Mr. LYON. I would not undertake to say.

Senator LADD. The allied interests seemed to have the best of it in this resolution.

Mr. LYON. That depends upon what the resolution means.

Mr. LADD. That is what I wanted to find out.

Mr. LYON. Asking Congress to study this matter was as far as we could get in the subcommittee. It was a compromise, as was also the statement adopted by the full committee. We did not know what the temper of the convention might be, so we tried to go as far as we could together.

Senator GOODING. Were you afraid of the farmers in there, or who were you afraid of?

Mr. LYON. I was not afraid of any farmer, but the strange thing about this proposition is that in my State the men who first came out in favor of this stabilization plan, for guaranteeing the farmers a remunerative price for their products, were the leading bankers and business men of our city and State.

Senator GOODING. I rather think there is a wide difference of opinion of farmers to-day in regard to price fixing.

Mr. LYON. That depends upon what is meant by "price fixing." The stabilization plan does not contemplate "price fixing" in the usual acceptance of the term, but only a governmental guarantee of a minimum price.

The CHAIRMAN. We will have to adjourn now until 10.30 o'clock Thursday morning.

(Whereupon, at 10.55 a. m. the committee adjourned until Thursday, February 2, 1922, at 10.30 o'clock a. m.)

STABILIZING THE PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

THURSDAY, FEBRUARY 2, 1922.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee was called to order at 10.30 o'clock.
Present: Senators Norris (chairman), Page, Capper, Keyes, Gooding, Ladd, and Harrison.

The CHAIRMAN. Now, Mr. Lyon, the committee will be glad to have you proceed further with your statement.

STATEMENT OF MR. WILLIAM H. LYON, SIOUX FALLS, S. DAK.—
Resumed.

Mr. LYON. Gentlemen, there is a peculiar condition that confronts the United States at this time. We have approximately one-half of all the gold in the world. We have ceased to be a debtor Nation and are now a creditor Nation, there being from fifteen to twenty billions of dollars due us on account of public and private indebtednesses abroad. Our balance of trade in the last eight years has been approximately \$20,000,000,000. Our farmers have raised a magnificent crop, sufficient for ourselves and enough to provide for the needy in other lands. We need several hundred thousand additional dwelling houses. It is estimated that there should be \$1,000,000,000 a year expended on our railroads. Hundreds of millions of dollars should be expended every year upon our highways and for street pavements and other public improvements, and every farmer in our State, and I have no doubt in yours also, would like to spend at least a thousand dollars in buildings and improvements upon his property, and have his residence equipped with the conveniences and sanitary necessities that are required by the average, ordinary workingman in our cities.

I mention this to show that there is no limit to the amount of work to be done in this country, nor to the amount of our available wealth with which to pay for that work. And yet, notwithstanding these admitted facts, agriculture is staggering upon the brink of bankruptcy, and business and industry throughout the country are in the agonizing throes of financial depression and threatened disaster.

It seems to me that this indicates clearly, beyond all question, that there is something radically wrong with our industrial system, which will produce or even permit such an agricultural and industrial cataclysm. Does it not show that there is something out of joint with our industrial system, and is it not in effect an indictment against modern civilization?

I do not need to call the attention of this committee to the present condition of agriculture. There is not one of you gentlemen but knows what this condition is. As the Secretary of Agriculture recently stated, the present producing power of the farmer is only approximately 60 per cent of what it was in the five prewar years; that is, the proceeds that he receives for his crops purchase only approximately 60 per cent of the necessities which he is compelled to buy; that is, 60 per cent of the amount which he could have purchased prior to the war.

Senator PAGE. Before you proceed with that, let me say that my time is very limited, and I merely want to point out that the submission of these facts is but a reiteration of what we have had here for weeks.

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Mr. LYON. I was about to excuse myself for not going further into that matter, and am glad to be assured that you are thoroughly familiar with it.

If we permit the prices of these farm products to permanently revert to this prewar basis, ultimately the prices of all other products must come down to that same approximate level. They can be held back for a while, but in the final analysis the cost of food production must largely control the general price level of the country.

If we were out of debt this readjustment might possibly be made without general calamity, but we have incurred a public indebtedness of from twenty to twenty-five billion dollars, besides untold billions of State, county, city, and municipal as well as private indebtedness, contracted during the last few years, and largely upon the basis of recent price levels. The result of this permanent reduction to the prewar basis in the price of farm products means that it will take 2 or 3 bushels of corn, 2 or 3 pounds of wool, and two or three days' labor to pay what one would have paid when that indebtedness was contracted, thus doubling or tripling the burden of this indebtedness upon the country, and which can have only one result, and that is general financial disaster or bankruptcy to a large proportion of the debtor class.

If England, for instance, should say to us, "We will pay you a certain stipulated price for all of the farm products that you export over to Liverpool within a certain period," we can readily understand how that would bring up to that same level, less the cost of transportation and carrying charges, all the remaining products which we consume at home, even if we did not export a single bushel across the ocean, so long as the avenue remains open we can export it if desired. But it never seems to have occurred to the representatives of agriculture in this country that the United States, the wealthiest country on the face of the earth, can accomplish the very same thing, and do it on this side of the ocean instead of on the other side, by simply saying to our farmers, "Go on and raise your crops, consume them, market them, export them; do anything you want to with them, and all you have left at the end of the crop year, before the new crop comes in, if you will deliver at certain central terminals throughout this country, we will pay you a specified minimum price therefor." That guaranty, as you will observe, would bring up to that approximate level the entire remaining portion of the crops which are now consumed within this country.

This brings us to the amount of the surplus of these crops which we export. We always knew that this amount was comparatively small, and we always knew that, in a general way, the surplus which we exported to foreign lands controls approximately the price of the remaining portion of the crops which we consume at home; but it was never so clearly or authoritatively stated as by Mr. Julius H. Barnes, ex-president of the United States Grain Corporation, in his address to the Farm Bureau on November 5, 1920, in which he made the following statement:

"As to the per cent of exports to our grain production, the four prewar years' exports of all grains averaged 3.8 per cent of the total crop. During the five war years exports averaged 8½ per cent of the crop. During the last cereal year just completed our exports averaged 6½ per cent of the total crop.

* * * Broadly speaking, it may be accepted as axiomatic that the price for an entire crop will be the price at which the surplus of that crop finds its market; that is, both the price on the export surplus and the price on the entire portion of that crop marketed at home will be the price determined at the market in which that export surplus is sold, less the cost of delivery."

In other words, this 3.8 per cent of these grain crops which we sent abroad to meet the general trade-price level of the world, in competition with the products of the cheaper lands and labor of other countries, with the peons, the Hindus, and the peasants of Europe—that little dinky surplus automatically fixed approximately the price of the remaining 96 per cent of these crops which we consumed at home, and without regard to the cost of production.

The CHAIRMAN. Now, what grains are included in the term used by Mr. Barnes and by you? You speak of "grains." What does that term include besides wheat?

Mr. LYON. It doubtless includes all grains; that is, wheat, corn, oats, rye, barley, rice, flax, etc.

Senator PAGE. All cereals used for food?

Mr. LYON. I do not think they are limited to that.

The CHAIRMAN. It would not include rice; we do not export any rice.

Mr. LYON. I think that we export a little rice. I am not sure as to last year, but we have in former years; but it does not include meats, cotton, wool, hides, tobacco, or sugar.

The total of all our exports was stated by Mr. Meredith, ex-Secretary of Agriculture, in his article in the October, 1921, number of the North American Review, in the following language:

"The facts are that less than 20 per cent of our total agricultural products are exported. Exports of crops have fallen as low as 11 per cent, and meats several times to 5 per cent of the year's production."

You understand, of course, that the statement of Mr. Meredith includes not merely grains, but cotton and wool and hides and meat and all other farm products, which accounts for the different percentage given by him from that by Mr. Barnes.

Senator PAGE. To what particular crops would you limit the legislation which you now propose?

Mr. LYON. Could I take that up just a little later, if you will pardon me?

Senator PAGE. Go ahead.

Mr. LYON. You have heard the old problem about whether the dog wags the tail or whether the tail wags the dog. This is a conclusive demonstration that in this particular case, wherein the surplus fixes the price of the remaining portion of the crop, that the "tail wags the dog." We endeavor to protect our manufacturers and our factory employees by a beneficent protective tariff against the cheap labor of other lands, and very properly so, because we do not want our workingman to live the same kind of life and receive the same wages that their competitors do abroad. I approve of that most heartily, but we permit the price of agricultural products to be fixed by this little surplus that is sent abroad, in competition with the cheapest labor in the world, far cheaper than the European factory labor that our workingmen compete against. The labor is so cheap over there, as Dr. Warren said in his address before the agricultural conference last week, that in many countries the agricultural employees expect to spend their declining years in the poorhouse. That is what you are putting agriculture in this country up against.

Now, if there is a good reason for the protection of our manufacturers and their employees against the cheap labor of other lands, is there not an equally good reason for protecting the producers of our agricultural products against even cheaper labor in foreign countries?

The total products of agriculture in the United States are equivalent to the total values of the products of all the other industries in this country combined. It is now generally conceded that the prosperity of agriculture is the base of all prosperity throughout this country, and when the farmer prospers the world prospers with him, and when he receives a remunerative price for his products he is the greatest buyer on earth. He has approximately one-half of the buying capacity of this Nation, and when he is receiving a remunerative price he buys lumber, building materials, cement, fencing, trucks, tractors, automobiles, and almost everything that is produced in this country, and factories throughout the whole country are in motion day and night; but when he is doing business at a loss he is withdrawn from the purchasing public, and he can not pay his debts, nor buy industrial products. The result is that the wheels of industry throughout the land slacken, slow down and stop, and millions of people are thrown out of employment and industrial chaos reigns.

You had a conference here a few months ago on unemployment, to ascertain what could be done to remedy the distressing situation. If you will guarantee the farmers of this country a remunerative price for their products in 90 days every idle man in the United States, who is able and willing to work, will have a job.

The stabilization of the price of farm products will be just as beneficial to industry at large as to agriculture. I have here a little chart published by the Washington Herald some time ago, showing the relative prices of wheat and flour prior, during, and after the period of governmental control, showing that the margin between the price that the farmer received for his 4½ bushels of wheat, enough to make a barrel of flour, as compared with the mill door price of flour, ran from \$3 to \$9 per barrel; but during governmental control the margin, as you will observe, was only about \$1 per barrel, and after price regulation was removed the marginal fluctuations returned, thus conclusively demonstrating that if the miller could depend upon a stable price for wheat, eliminating the ups and downs and risks of speculation, he will be able

to furnish his flour at a lower price, and at a smaller margin of profit than he is able to do to-day.

Senator GOODING. I am sorry to interrupt you at this point, but let me ask you this.

Mr. LYON. Yes, sir.

Senator GOODING. But the Government fixed the millers' price, too, did it not during the war? Did it not regulate the miller as well as the wheat grower? Do you not account for it in that way?

The CHAIRMAN. Yes; the Government regulated the whole thing.

Senator GOODING. Yes.

The CHAIRMAN. It fixed the miller's profit, as well as the price of wheat?

Mr. LYON. This profit was undoubtedly adequate and satisfactory to the miller.

The CHAIRMAN. Your point is that when the Government did not regulate it, the difference between what the farmer got and what the producer paid commenced to get wider?

Mr. LYON. Yes; very much, indeed.

The CHAIRMAN. And when the Government regulated it they came nearer together?

Mr. LYON. Yes; this very wide margin of difference is, I think, very largely the result of ups and downs and risks of speculation.

The CHAIRMAN. Yes.

Mr. LYON. A miller does not always know how to buy his grain at the bottom price much better than the farmer knows when to sell it at the top.

Now, the same thing holds true with reference to the cotton and woolen and linseed-oil manufacturers, who are dependent upon raw material produced by the farmer. If they could depend upon a reasonably stable price for this material, gradually increasing a little from month to month, to cover storage and carrying charges, it is evident that they could do their manufacturing more safely and at a much smaller margin of profit than they are able to do at the present time.

As it is now, the farmer is a gambler from the time he puts his seed into the ground. He gambles with the bugs and worms and flies and the weather, and when he finally does succeed in raising a crop he does not know what to do with it. He does not know whether to hold it in hopes that the price will go up, or to sell it for fear that the price will go down, and when he can get a good price the roads are impassable or the elevators are congested, and when the roads get good and he can make his deliveries the price goes down.

As the late Col. Robert G. Ingersoll once remarked, all things work together for evil for the farmer.

We are talking a great deal just now about giving additional credits to the farmer and furnishing him more money. While this period of high prices continued you did not have to advance any money to the farmer, and that is something that ought now to be done with a great deal of care. Really, as a matter of fact, one of the great troubles to-day is that our farmers, as well as business men and others, have had too much credit already. Most of us would have probably been better off if we had not had so much. Of course, I agree that an extension of credit no doubt would be beneficial now, since the breath of life has been deflated out of agriculture by the action of the Federal reserve banking system, and no doubt something of that kind will be necessary as a temporary measure, but what the farmer wants and requires most of all is not additional credit to enable him to get into debt more than he is now, but what he needs is to be guaranteed a remunerative price for his products. In that event he can go to the store and pay his bills and go to the bank and pay his interest; he will pay what he can upon his indebtedness, and he will make his own arrangements with the banker for an extension of the balance, and will not need to have your Uncle Samuel help him out with any additional credits.

I believe that is almost universally true, although there are doubtless many exceptional cases.

Senator GOODING. Do you think that possibly too much credit might mean an overproduction?

Mr. LYON. Yes. People will ordinarily go in debt sufficiently without governmental stimulus.

Senator GOODING. You know, an overproduction is a very serious thing to the farmer all the time.

Mr. LYON. Yes; and particularly so at this time. On this matter of credit, I think that is where the greatest trouble came with us, an undue extension of credit. It got so out in our country that if a farmer came in to pay his note, the banker would often inquire if he could not use the money better in some other way.

Senator CAPPER. Do you mean that that condition exists now?

Mr. LYON. No; not now. I am speaking of the condition that did exist after the Federal reserve banking system had taken off the lid.

Senator CAPPER. Oh, this was before?

Mr. LYON. Yes; but the Federal reserve banking system, instead of being an emergency institution intended to prevent panics and furnish credit in times of stress, became a money-making institution—the greatest profiteer of all—making over 100 per cent profit, and not only that, but it got our bankers as well as their customers into bad banking habits.

The CHAIRMAN. Mr. Lyon—

Mr. LYON. Pardon me; I am digressing.

The CHAIRMAN. Senator Page interrupted you awhile ago, and he wanted to know what your plan was. Can you get to that?

Mr. LYON. Yes; with pleasure.

The CHAIRMAN. What is your plan?

Senator PAGE. I would like to have you tell us, so that I may know what to do as a Member of this Senate.

Mr. LYON. Yes.

Senator PAGE. What legislation do you think we ought to urge in order to bring about this change?

Mr. LYON. That is what I wish to present for your consideration.

H. R. 7735, known as the Christopherson bill, provides for a stabilizing commission, to consist of the Secretary of Agriculture, the Secretary of Labor, and the Secretary of Commerce.

Senator KEYES. Pardon me, but is that the same bill that we have before us?

The CHAIRMAN. No. That is a bill pending in the House known as the Christopherson bill.

Mr. LYON. Yes. It has been there since July. I will discuss this to some extent, and then I will make some reference to the other pending bill if you so desire.

The CHAIRMAN. Go ahead with your plan, regardless of which bill it is in. We can put it in a bill if we agree on it.

Senator GOODING. Yes; just give us your plan.

Mr. LYON. All right.

Senator GOODING. You have now told us about the condition of agriculture. Will you now give us your plan; give us the remedy?

Mr. LYON. That is what I am very anxious to present.

This commission is to be known as the American stabilizing commission, and is to have the powers of a corporation. Section 2 of the bill provides—

"That said commission is hereby authorized, empowered, and directed to purchase all marketable grades of wheat, rye, flax, oats, barley, buckwheat, corn, rice, grass seed, sugar, and wool heretofore or hereafter grown or produced in the United States, upon delivery at specified terminals at such times as may be designated by the commission."

The CHAIRMAN. Is cotton included there?

Mr. LYON. No; I will get to that a little later.

The CHAIRMAN. All right.

Mr. LYON. Section 4 of the bill provides—

"That said commission, as soon as practicable after the passage and approval of this act, shall specify and publicly announce the prices which it will pay for the various surplus products aforesaid and the times at which it will purchase the same, which shall be as nearly as practicable shortly before the arrival of the 1922 crops."

This bill was introduced last July, and was intended to cover also the 1921 crops, and if it had been passed before this crop went out of the hands of the farmers it could have applied to all the 1921 crop; but, under the present condition, with the wheat and oats and flax and a large portion of other cereals having gone out from the farmers' hands, I do not think it would be practicable to endeavor to do anything toward directly stabilizing the prices of the 1921 crops, except corn, of which, perhaps, 90 per cent is still in the hands of the farmers, and possibly, also cotton.

The act further provides, section 4:

"The commission shall also annually and before planting season specify and publicly announce the prices which it will likely pay for the surplus of such domestic future crops thereafter planted, which prices may, if deemed practicable and advisable by said commission, be made contingent upon the size of such crops when harvested and ascertained or estimated as accurately as possible, to the end that the aggregate amount to be paid for an excessive surplus plus may not greatly exceed that to be paid for an average surplus."

I am not entirely sure whether the above contingency provision could be worked out or not. It is simply thrown in as a suggestion for consideration by the commission should the bill be passed.

Section 4 further specifies:

"The prices to be paid for the surplus crops harvested or growing at the time of the passage and approval of this act shall be as nearly as practicable the average estimated cost of production plus a reasonable profit."

That is for the crop of 1921 in case any of it should be included in the amended bill.

"The commission, in specifying the prices it will pay for such surplus products hereafter produced, shall endeavor to encourage the production of crops of which a considerable amount is now imported, such as flax, wool, and sugar, and discourage the production of an excessive and unmarketable surplus of other products heretofore specified."

This plan after it gets into operation will almost automatically regulate itself. Suppose, for instance, that the commission were to put so high a price on wheat that we could not export any of it and resulting in an excessive surplus. The commission would undoubtedly say, "We are raising too much wheat so we will drop the price 10 or 15 or 20 cents a bushel for next year and will raise the price of flax or wool or some other product of which we produce an insufficient amount and endeavor to encourage the production of those products which we now import."

We produce, for instance, only about one-half of the flax and wool consumed in this country.

Senator GOODING. You mean the flaxseed, do you not?

Mr. LYON. Yes.

Senator GOODING. You know we do not grow much flax here.

Mr. LYON. I do not mean the fiber products. When we speak of flax in our country we mean flaxseed.

Senator GOODING. Yes.

Mr. LYON. I think we produce only about one-third of all the sugar that we consume in this country. It is not necessary, gentlemen, that this commission should put a high price upon these various products. Even if the guaranteed price were considerably less than the absolute cost of production it would still be beneficial.

For instance, suppose it costs us from 55 cents to 90 cents a bushel to produce corn—the estimates, I believe, vary between those figures—and suppose this price is guaranteed, so as to net the farmer only 40 cents a bushel. If he could be absolutely sure of a minimum price of even 40 cents a bushel, don't you see what a tremendous benefit even that would be if he knew that was the bottom and that the price could not fall below this minimum amount?

Senator HARRISON. Do you not think that the minimum amount fixed by this commission would be the prevailing price?

Mr. LYON. Not necessarily, unless it was above the world price level.

Senator HARRISON. Economists generally agree, I think, that the minimum price would fix the general price.

Mr. LYON. It would depend. I think, largely upon our production. If we were producing too much corn or wheat or of some other product, I think there would be a tendency to drop the price of that commodity, and perhaps increase the price of something else.

Senator PAGE. Then you would make the minimum price or the guaranteed price the cost price? You will remember, Mr. Chairman, that Mr. Wanamaker said here the other day that he wanted to have the price the cost price.

The CHAIRMAN. Yes.

Mr. LYON. For the first year's guarantee I think it should be made on the basis of the average estimated cost plus a reasonable profit.

Senator PAGE. That is, 1922?

Mr. LYON. Yes; if the measure were passed now, that is the basis upon which the price should be guaranteed for the 1922 crop, but after that it is going to

depend very largely upon what the farmers do and the amount of surplus, and whether salable or not. Future prices will have to be developed and worked out by the stabilization commission.

Senator PAGE. And if there should chance to be a large quantity of this carried over—you do not think there will be—but if there should be you would have it stored and carried by the Government?

Mr. LYON. Yes; I will soon come to that feature of the plan.

Section 5 of the proposed bill also provides—

"That the commission shall also carefully investigate the practicability of likewise guaranteeing a minimum price for all surplus marketable cotton, tobacco, hides, mutton, beef, and pork, and report its conclusions and recommendations, if any thereon, to Congress at the earliest practicable date."

I think it would be a practicable thing to stabilize the prices of all those products, with the possible exception of pork. We import mutton, and as to our meats we are just about raising what we consume. We have a practical monopoly upon the pork of the world, and export quite a very large portion of that product.

The cotton people seemed at first to be very much interested in this plan, but after the Lord had blessed them by sending them the boll weevil and reducing their crop and boosting cotton prices they did not seem to be quite so interested. While cotton, I think, ought to be included in any general stabilization plan, it is not positively embraced here, but is left for future consideration.

Another thing about cotton is that it will take more money to finance the cotton surplus than it will for nearly all the other farm products combined, but I feel sure that it can be done. We export approximately 65 per cent of our cotton, I think, and this cotton is something that the world must have. During the Civil War England came very nearly allying itself with the Confederacy in order to get raw cotton for its spinning wheels in Lancashire.

Mr. MEREDITH, the late Secretary of Agriculture, told me when I presented this plan to him a year ago, in December: "My representatives have recently returned from England, and they report that the Lancashire spinners say they have plenty of money to buy our cotton with, but are waiting until they think the price has reached the bottom; they do not care what that is, whether they pay 10 or 15 cents a pound; but they want to know that when they buy that cotton that other manufacturers will not be able to buy at a lower price."

Senator GOODING. In that way we practically guarantee the price of cotton to the whole world?

Mr. LYON. I am just getting to that. If we guarantee a price, we will say, of 20 cents for cotton, the world must have that cotton, and they will come to us to get it, and that will bring similar cotton throughout the world, wherever it is grown, up to approximately that same price, because the cotton growers of other lands are going to say: "Our cotton is just as good as the cotton of the United States," and they will insist upon approximately the same price. So that the stabilization of a product that the world must have, like cotton or wheat, will bring up the general price level of the world to that same approximate basis, so long as the world must have this surplus of ours, or any considerable portion of it, and will be beneficial to agriculture throughout the world.

Senator PAGE. I am very much interested in your remarks, Mr. Lyon, but I have passed my time now, as I have another engagement.

Mr. LYON. I am very sorry, indeed.

Senator PAGE. The main point which I hope you will elaborate is the concrete of this matter, as to how we are going to get a price that is correct as between the consumer and the producer.

Mr. LYON. Under the Christopherson bill this left in the hands of the stabilizing commission, which consists of the Secretary of Agriculture, who represents the producers; the Secretary of Labor, who represents largely the consumers of the country; and the Secretary of Commerce, who represents largely the business interests of the country. In other words, on this stabilization commission the consumers have two members as against the producers' one, so that any price that would be agreed upon among those three certainly should be fair as to the consumers of this country.

Senator PAGE. I agree with that.

Mr. LYON. Thank you. Perhaps, before I go into this matter any further, I ought to give reason why so many farm products have been embraced in this

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Christopherson bill. The idea is this: If you put in only a few products, it is liable to unbalance production. The farmers are liable to say: "We have a guaranteed price for this particular product, wheat, or corn, or whatever it may be, and we are going to put in a very much greater acreage of that, and reduce our acreage of other crops."

Senator GOODING. This bill makes that a permanent commission?

Mr. LYON. Yes.

Senator GOODING. A permanent law?

Mr. LYON. Yes. I think a permanent stabilizing act ought to embrace, as far as possible, all of the staple nonperishable farm products that can be stored over from one year to the other. Then, besides, if you put in only a few products and you specify a particular price for them, it is liable, as I say, to unbalance production, and it is pretty well evened up at the present time. My whole purpose in this matter is not to interfere with existing conditions and marketing machinery any more than possible. The Government does not buy this grain until the end of the crop year. The farmers can dispose of it in any manner they see fit or store it until the stipulated time arrives. The commission simply agrees "At the end of the year all you have left, deliver at certain terminals throughout the country, and we will pay you the stipulated price for it," which, of course, will bring up to that approximate level less carrying charges the entire remainder of the crop consumed or exported in the meantime.

Section 6 provides for regulating the elevators and their storage charges. We wish to use the tools we have and utilize our existing marketing machinery so far as possible.

Senator LADD. Let me suggest that we have one further witness here who wants to be heard this morning.

Mr. LYON. Had I better defer now?

The CHAIRMAN. No; you had better finish.

Senator LADD. You had better finish now, as you may not get another chance.

Mr. LYON. Section 7 provides—

"The said commission shall retain or dispose of such surplus products so purchased by it as it may deem best for the public welfare, and in case the domestic market price of any such products shall at any time rise above such guaranteed price, and also the world price level, less transportation charges, or in case of a shortage, either actual or prospective, said commission is hereby authorized to purchase at the lowest price obtainable and import such products from abroad without payment of duties or tariffs and dispose of the same to the manufacturers or consumers thereof at not less than cost, nor such guaranteed price."

The purpose of that is to protect the consumer so that if prices, by speculation or otherwise, should greatly rise above the guaranteed price level, and beyond the world price level, this commission has ample facilities for holding down the price.

There is a provision in section 9 that after this bill takes effect none of these products can be imported except through this stabilizing commission, because, of course, you could not guarantee a minimum price for these farm products, and then allow other countries to dump their products upon us at a lower price, and then throw the entire crop upon the Government at the higher guaranteed price.

Now, just a word with reference to the financing of this proposition. There is a provision here in section 10 which authorizes the stabilization commission to borrow from the Federal reserve bank the sum of \$500,000,000, or so much thereof as may be necessary, at not to exceed 3 per cent interest, to use in carrying out the provisions of this bill, and also for carrying this product from the time it leaves the producer until it is taken over by the Government. In other words, the commission may finance these products by making loans upon warehouse receipts so as to reduce the expense of carrying charges and eliminate the ups and downs of speculation.

What better security on earth is there than a food product, with a guaranteed price that can not fall in value, and that must be consumed in order that humanity may exist?

The commission would dispose of the surplus to foreign countries, or hold it over as a protection against a crop shortage, or make such other disposition of it as they thought best, and a crop like sugar or flax or wood which we import, the commission would go abroad and buy those crops at the world price level and make the profit between the price at which they bought and the higher guaranteed price at which they were sold.

As to how much money this would actually cost, or how much of a loss there could be to the Government, it is, of course, impossible to say. I do not think it would result in any loss whatever. I believe that the profits would far more than exceed the losses. You will remember that when we last guaranteed the price of wheat, President Wilson, after consulting with the ablest experts in the country, decided that it would cost the people of this country from \$50,000,000 to \$1,000,000,000 to make that last wheat price guaranty, and Congress appropriated \$1,000,000,000 for the purpose of financing the transaction. As a matter of fact, it not only did not cost the people of the United States a single dollar, but the Grain Corporation actually made approximately \$50,000,000 in the transaction.

Senator HARRELD. Do you not think that was actually due to the war, though?

Mr. LYON. The war may have had something to do with it.

Senator HARRELD. Do you think that same thing would hold good in times of peace?

Mr. LYON. I am referring to that incident, Senator, as showing that even the wisest of men are sometimes unable to anticipate what the future will bring forth, and this last guaranty, Senator, to which I refer, was made after the war had closed.

Senator HARRELD. Suppose that guaranty had been made this last year, that would have been the result?

Mr. LYON. We would have had prosperity in the United States instead of universal financial depression and agricultural bankruptcy.

Senator HARRELD. You will excuse me for interrupting you?

Mr. LYON. Certainly. I sincerely appreciate your inquiries.

Now, gentlemen, I want to say just another word, as I know that your time is very limited: but in discussing a remedy for the ills that now confront us, it is necessary, in my judgment, to determine what is the root of the trouble. I think it now clearly appears as to just what the farmer is up against and why he is up against it, and that he is simply swamped in competition with the cheaper labor costs and products of other lands just the same as the manufacturer and his employees would be up against that disastrous competition if there was no protective tariff upon manufactured products, and that here is even greater reason for the protection of agriculture in the way that have indicated through a guaranteed minimum price than there is for the protection of the manufacturers and their employees by a protective tariff.

I thank you most sincerely, gentlemen, for your courtesy and kindly attention and consideration.

The CHAIRMAN. All right, Mr. Lyon.

Mr. STARR, are you ready to proceed?

Mr. LYON. I would like to leave some copies of this bill with the members of the committee.

Senator GOODING. Yes; we can get those.

Senator HARRELD. What bill is that?

Mr. GOODING. This is the bill introduced by Congressman Christopherson in the House.

The CHAIRMAN. What is the number of it?

Senator GOODING. H. R. 7735.

[H. R. 7735, Sixty-seventh Congress, first session.]

BILL To create the American Stabilizing Commission to provide for stabilizing the prices of certain farm products.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of Agriculture, the Secretary of Labor, and the Secretary of Commerce and their successors in office are hereby constituted a commission to be known as the American stabilizing commission, which shall have the usual powers of a corporation in addition to the express powers hereinafter conferred.

Sec. 2. That said commission is hereby authorized, empowered, and directed to purchase all marketable grades of wheat, rye, flax, oats, barley, buckwheat, corn, rice, grass seed, sugar, and wool heretofore or hereafter grown or produced in the United States and owned or sold by the original owners thereof subsequent to sixty days after the passage and approval of this act, upon delivery thereof at terminal elevators or warehouses at Portland, Seattle, Minneapolis, Duluth, Chicago, Buffalo, Galveston, New Orleans, New York, and at

such other terminals as may be specified and at such times as may be designated by said commission.

SEC. 3. That said commission shall have power to provide such regulation and require such proofs as it may deem necessary of the ownership of all crops harvested or growing at the expiration of sixty days after the passage and approval of this act and which may thereafter be offered for sale to said commission, in order that the benefit of such guaranteed prices for such harvested or present growing crops thereafter purchased by said commission shall, so far as practicable, inure to the sole benefit of the original owners thereof.

SEC. 4. That said commission, as soon as practicable after the passage and approval of this act, shall specify and publicly announce the prices which it will pay for the various surplus products aforesaid and the times at which it will purchase the same, which shall be as nearly as practicable shortly before the arrival of the 1922 crop. The commission shall also annually and before planting season specify and publicly announce the prices which it will likewise pay for the surplus of such domestic future crops thereafter planted, which price may, if deemed practicable and advisable by said commission, be made contingent upon the size of such crops, when harvested, and ascertained or estimated as accurately as possible, to the end that the aggregate amount to be paid for an excessive surplus may not greatly exceed that to be paid for an average surplus. The prices to be paid for the surplus crops harvested or growing at the time of the passage and approval of this act shall be as nearly as practicable the average estimated cost of production plus a reasonable profit. The commission in specifying the prices it will pay for such surplus products hereafter produced shall endeavor to encourage the production of crops which a considerable amount is now imported, such as flax, wool, and sugar, and discourage the production of an excessive and unmarketable surplus of other products heretofore specified.

SEC. 5. That the commission shall also carefully investigate the practicability of likewise guaranteeing a minimum price for all surplus marketable cotton, tobacco, hides, mutton, beef, and pork and report its conclusions and recommendations, if any, thereon to Congress at the earliest practicable date.

SEC. 6. That all elevators and warehouses receiving or storing such domestic products intended for possible ultimate sale to said commission shall be licensed and regulated by said commission, and all storage, handling, and other charges shall be specified by the rules and regulations to be adopted or approved by said commission.

SEC. 7. That said commission shall retain or dispose of such surplus products so purchased by it as it may deem best for the public welfare, and in case the domestic market price of any such products shall at any time rise above such guaranteed price, and also the world price level less transportation charges, or in case of a shortage, either actual or prospective, said commission is hereby authorized to purchase at the lowest price obtainable and import such products from abroad without payment of duties or tariffs and dispose of the same to the manufacturers or consumers thereof at not less than cost nor such guaranteed price.

SEC. 8. That in case the amount of any of such domestic products shall be deemed insufficient for domestic requirements, said commission shall have power to prohibit or temporarily suspend the exportation thereof.

SEC. 9. That after the expiration of sixty days from and after the passage and approval of this act none of the products specified in section 2 of this act, either in the raw or manufactured state, shall be imported into the United States, except by or under the direction of said commission: *Provided, however,* That no provision of this act shall prevent the importation of such products intended for export, either in their original form or as manufactures therefrom, but such importations must be made under license granted by such commission and under such rules, regulations, and conditions as it may provide.

SEC. 10. That said commission is hereby expressly authorized to borrow from the Federal reserve bank, by giving its notes or other obligations therefor, the sum of \$500,000,000, or so much thereof as it may deem necessary, to comply with the provisions of this act, at a rate of not to exceed 3 per centum interest per annum, and shall have the right to loan such portion thereof as it may deem advisable at not to exceed 6 per centum interest per annum, upon terminal elevator or warehouse receipts for the products specified in section 2 of this act, for the purpose of assisting in marketing or carrying the same until purchased by said commission or otherwise disposed of by the owners thereof.

SEC. 11. That all actions of said commission shall be subject to the approval of the President of the United States. A full and complete report of its activities shall be furnished by said commission to Congress at the opening of each regular session and said commission shall make frequent reports of its activities for the information of the public.

SEC. 12. That all acts and parts of acts in conflict with this act are hereby repealed only and in so far as they conflict with the provisions of this act.

SEC. 13. That this act shall take effect and be in force from and after its issuance and approval.

Mr. LYON. Here is an argument that I made upon this proposition. It is more complete than I have given here, if you gentlemen care for it.

Senator LADD. We would be very glad to have it.

Senator GOODING. Yes; I would like to have a copy of that.

Mr. LYON. I prepared this last May. If you would care for it I would be glad to leave a copy with each of you.

CONCLUDING STATEMENT BY WILLIAM H. LYON.

Mr. LYON. I wish to refer to the suggestion made by one member of this committee to the effect that if the stabilizing commission should sell our surplus abroad for less than the guaranteed price, we may thereby give foreign workers an advantage over our own working classes. Germany built up its tremendous beet industry through a high protective tariff and gave a bounty for every pound of sugar sold abroad, which enabled foreigners to purchase sugar for much less than the domestic German price. Our own manufacturers are also believed to frequently sell their products abroad for less than they receive at home. Even if our surplus should occasionally be sold abroad at less than the guaranteed price, the foreign workman, after paying carrying and transportation charges, would find his flour more expensive than the American workman, who, in case the guaranteed price should exceed the world price level, would be able to buy his wheat or flour at the guaranteed price less carrying and transportation charges.

Unless the guaranteed price is set excessively high, there would be no necessity for selling the surplus at a loss. The world will pay the price if it needs the food. If not, the surplus can be held over for our own protection. The commission, however, through unified selling, will be able to obtain a higher price than independent competitive holders. Even if there should be a loss, it will be insignificant compared with resulting benefits. If we could not sell the surplus and did not wish to hold it over for our own protection against a possible crop shortage, we could well afford to dump it in the bottom of the sea in order that the farmers might receive a remunerative price for the remainder of the crop, thereby assuring prosperity for agriculture as well as for industry in general. There will always, however, be hungry mouths to feed.

Our average annual carry over of wheat is only about 50,000,000 bushels, equal to five weeks' domestic consumption, a mighty small margin of safety as a protection against possible famine. In case of a crop failure, would we not feel safer with a few months' food supply on hand under the control of the Government and free from the manipulations of speculators? Is not insurance against famine worth something to ourselves and the rest of the world?

Possibly the stabilization plan may slightly increase the cost of food and clothing to the ultimate consumer, but when the farmers prosper the workman also has a job and is willing to pay more out of the wage he receives for the job he otherwise would not have. The resulting stabilization of prices, however, will have a tendency to reduce the spread between what the producer receives and the consumer pays.

If the cotton manufacturer received his cotton for nothing, it would make scarcely any difference in retail prices of cotton clothing. If the tanner received his hides for nothing, it would never be noticed in the retail price of shoes. The sheepowner is lucky indeed if he gets \$3 for all the wool in a \$50 suit of clothes. An increase of only a few cents per pound for wool, cotton, and hides, and a few cents per bushel for grain products will not only make agriculture but all other industries prosperous, and make only a trifling increase in the producing cost of the finished product.

Maximum production of farm products has also been seriously urged before this committee. If our farmers had loafed on the job and raised only a half

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crop, they would have received a much greater financial return than from the full crop produced. Under present conditions a maximum crop throughout the world, with its resultant low prices, proves a calamity not only to agriculture but to business and industry dependent upon its prosperity.

Other witnesses urge reduction of freight rates. This, of course, should be done, and will slightly alleviate present conditions. But railroad rates can never be reduced to their proper level until the railroads are consolidated with unified management, which will permit enormous rate reductions without reducing the wage scale or reasonable dividends to railroad owners.

Elimination of board of trade speculation will not give the desired relief if we permitted only those to buy grain who intend to use it, they would get it at practically their own price. It is the so-called gambler and speculator who now, through buying future options, helps to sustain even present prices. It is little short of a disgrace for a civilized Nation to depend on gamblers and speculators to maintain a living price for farm products. "Orderly marketing" will not, I fear, give the desired relief. No crop was ever withheld from market to such an extent as the 1920 crop, nor with such disastrous results.

The recent South Dakota convention of cooperative grain dealers unanimously approved the stabilization plan, as they realized that through the elimination of speculation they would be able to handle grain at a smaller margin than at present. Even bakers should be able to reduce the price of bread through the stabilized price of flour. Stabilization of the price of feeding grains will also have a tendency to stabilize the cost of meat production.

As to the actual cost of the stabilization plan to the National Government it is, of course, impossible to say. In my opinion, it would be a source of profit rather than loss. In the administration of the stabilization plan the profits resulting from the necessary purchase, importation, and sale of flour, wool, and sugar will, in my opinion, far exceed any possible loss through purchase and sale of the remaining surplus. But even if there should be a loss of one-half billion dollars, which is unbelievable, it would be well worth the amount to put agriculture upon its feet and restore general prosperity to the country. The increased income tax the Government will receive from returning national prosperity will far exceed any possible loss resulting from the stabilization plan.

Our average annual export of wheat from 1910 to 1920, inclusive, was 178,829,000 bushels. For the past year it nearly doubled. Our average annual exportation of corn for the five prewar years was 45,000,000 bushels—less than 2 per cent of the total crop. For the next six years our highest annual exportation was 57,000,000 bushels for the year 1917. For the past year, however, owing to unusual conditions at home and abroad, corn exports reached the unprecedented figure of 132,265,685 bushels, approximately 4 per cent of the 1920 crop.

At the close of 1921 the wheat situation in the United States, as nearly as could be estimated, was as follows:

TABLE I.—*Wheat, 1921 crop.*

	Bushels.
Commercial visible, July 1, 1921.....	8,000,000
In mills and elevators, July 1, 1921.....	28,000,000
In farmers' hands.....	60,000,000
1921 crop	795,000,000
Total	<u>891,000,000</u>
Estimate of utilization:	
For seeding	90,000,000
10-year average consumption	500,000,000
United States exports, July 1, to Dec. 31, 1921	197,000,000
A minimum safe carry over in all positions	40,000,000
Total	<u>827,000,000</u>
Available for export from Jan. 1 to June 30, 1922.....	64,000,000

From the following table it will be seen that the total value of our exports of leading cereals and cotton was \$1,272,828,205, and which was upon a much higher level than present prices. If, therefore, the stabilizing plan had been

in effect and we had been required to purchase the entire surplus at these prices and carry it over for our own use the entire expenditure would have been approximately the above amount. The five hundred millions provided in the Christopherson bill should therefore be far more than sufficient to finance any purchases the commission may be called upon to make.

TABLE II.—*Imports and exports for calendar year 1921.*

		Imports.	Exports.	Value of exports.
Wheat, including flour.....	bushels.....	27,632,817	355,550,649	\$50,660,961
Corn, including meal.....	do.....	164,097	132,265,685	96,565,554
Oats, including oatmeal.....	do.....	3,565,266	8,715,182	5,356,951
Barley.....	do.....		25,834,000	20,687,056
Rye.....	do.....		30,145,645	44,588,575
Rice.....	pounds.....	83,895,008	600,058,978	20,727,313
Cotton, bales.....	500 pounds.....	277,897	6,678,227	534,241,795
Sugar.....	pounds.....	5,987,389,381	933,792,360
Wool.....	do.....	320,665,751	1,927,174
Linseed.....	do.....	690,269,664	19,432
Linseed oil.....	do.....	60,090,713	3,512,228
Total.....				1,272,828,205

National aid in caring for surplus farm products was practiced by the Chinese and Egyptians centuries before the Christian era. When crops were unusually fruitful farmers became impoverished on account of the resulting low prices, and when famines came great suffering to the consuming classes resulted. The Government therefore developed a plan for buying up the surplus during good years and holding it over until years of scarcity and which was known as the "Constantly normal granary."

The best known example, however, is that of Joseph, down in Egypt, storing up the surplus in years of plenty and doling it out during the seven years of famine. Would it not be equally wise and just for a great, modern, wealthy, and Christian nation also to encourage agriculture, its basic and greatest industry, by guaranteeing a remunerative price for surplus products and thereby not only bring permanent prosperity to agriculture and other lines of industry but also protect its people against speculative price fluctuations and perhaps afford them some relief in case of a possible crop failure?

Mr. LYON. If any members of the committee wish to ask me any questions, I will be glad to endeavor to answer them.

The CHAIRMAN. No; I think you covered the subject pretty fully, Mr. Lyon.

I want to put into the record at this point a contribution by Mr. William Potter, of Grangeville, Idaho. It is in the form of a letter directed to me, and it is a very interesting article on this subject that we are considering.

GRANGEVILLE, IDAHO, January 12, 1921.

Senator GEORGE W. NORRIS,
Washington, D. C.

DEAR SENATOR: In connection with the conference that President Harding has called for the purpose of seeking a solution of our present difficulties, and with the idea that it will take unusual legislation, or rather legislation out of the ordinary channel, to keep the agricultural interests of this country from a total collapse, I am addressing this letter to you at the request of a few citizens and with the assurance that it fairly represents the views of this community.

We contend and believe it is generally admitted that our sole trouble is the spread between the price received for the raw material and the price for the manufactured article.

Fifty years ago the conditions we find ourselves in at present could not have been brought about, even though the money had all been in the hands of a few people. With a very little study and a slight knowledge of economics the reason of this will be apparent to all. At that time every little hamlet had its shoemaker, its small tannery, and the cloth from which our clothes were made was manufactured largely at home. It naturally followed that these different articles and materials were to quite a large extent our medium of exchange; consequently, the spread between the raw material and the manufactured

article fluctuated very little. The result of this was that the fluctuation of the dollar or the panicky conditions brought about by the financiers of that period affected very slightly the multitude of producers. Then gradually the inventive minds of this country have invented machines to do the work of human hands; these have been improved upon from time to time until we have the mechanical devices of to-day, made of steel, which are almost human in their operation. All of this should have been a great benefit to humanity, but it has proved a curse. The cobbler of the hamlet has disappeared, his descendants have congregated in the manufacturing centers and they have really lost the art of making a complete shoe, as they know only how to direct a machine to make a small part of it. Something along this line would apply to the tanners and also to the weavers of cloth.

Referring now to wheat, the one great commodity of the United States, the price of which we contend is the barometer of business conditions. During the period to which we above refer, steel did not enter into the production of wheat, only the mold board of the plow, a few harrow teeth, a scythe, and a few rings on the snathe. The people who wielded the tools of that period are all gone, or else are too old to work; otherwise we could cradle grain to-day cheaper than we can harvest it with the present high-priced binder and its accessories.

Passing on to the final operation, namely, threshing. The prevailing price in the community in which we live was 15 cents a bushel last fall; and on account of the high cost of the machine, belts, oil, and repairs the men who operated these machines lost money at that. Labor was \$2.50 per day. In olden times a man was supposed to thresh with a flail from 25 to 50 bushels a day. If his wage was \$2.50 the cost would have been around 7 cents a bushel, or less than half of our up-to-date method. This seemingly absurd condition is brought about entirely by the extraordinary high price of the manufactured article. Even as late as the panic of 1892-93 the spread between the raw material and the manufactured article was nothing out of the ordinary. That is, a bushel of wheat then would have bought about as much of the ordinary commodities used in the average family as it would have five years before or five years after; in other words, all commodities went down together, or the dollar went up, whichever way you will have it. The farmers were as well off, or perhaps a little better, than any other class of people. The manufacturing interests of that period did not have as fine an organization as they have to-day, and their products went down with everything else. Since that time there has been a flood of propaganda urging the farmer to increase his efforts to produce more.

There have been innumerable projects launched for the redemption of the swamp, cut-over lands, and the desert. In all these operations the farmer has borne his share of the expense of creating competition in his own business. In the meantime the manufacturing interests have gone serenely on, perfecting their organizations for the control of production and price, spending vast sums in propaganda to increase the production of raw material. This thing has gone on until in 1920 and 1921 we find ourselves in a very peculiar situation.

The financiers of this country saw fit in the fall of 1920 to suddenly shut off the flow of money, to shut down the headgate, as it were. This was easy to accomplish through their control of the Federal Reserve Board. The result, of course, was the sudden increase of the value of the dollar. All raw material went down with a crash, but the manufactured article did not follow as it has heretofore, for the simple reason that it is largely owned and controlled by these same financiers. And in the last 25 years they have perfected an organization whereby they can absolutely control output, and, consequently, price. As we stated before, their products did not follow down, but in reality they went up, when we take relative value as a standard. In proof of this we wish again to refer to wheat and our own community. We will also use the binder and the ordinary pair of work shoes to illustrate.

For the 10-year period before the war 2 to 3 bushels of wheat would have bought a pair of work shoes and from 150 to 175 bushels of wheat would have bought a binder. This same ratio would apply to the summer of 1920. At the present time I find that it takes 5 to 6 bushels of wheat to buy a pair of work shoes and from 400 to 450 bushels of wheat to buy a binder. We contend that our whole trouble lies in sudden fluctuations and our not being able to maintain a relative value. While we are dealing with our trouble, and before we offer you the remedy, would like to touch on another phase of the situation.

For the past few years the press of this country has been loaded down with propaganda and protests against the high cost of living. There is little doubt in our minds but what this same bunch of financiers are responsible for this propa-

ganda, for as a matter of fact high prices, which only means cheap money, is the only salvation for the people of this world, if they wish to maintain their present state of civilization and their present system of governments. High prices hurt no one except the moneyed baron and the loafer, providing relative values are maintained. Admittedly, high prices simply mean cheap money. Now let us see why we must have cheap money.

We believe there is no argument to the assertion that all great nations are bankrupt. When an individual is bankrupt, they simply close him out, sell his property at sheriff's sale, and distribute the proceeds among his creditors. When a large corporation goes bankrupt, they have to proceed a little differently, appoint a receiver, etc., but they arrive at the same end. When all the governments of the world are bankrupt, the proposition is so enormous it is rather hard to understand how they can liquidate and release themselves from their obligations.

Senator, there is just one way, and that is to cheapen the money and create an area of high prices. When the individual goes bankrupt, he perhaps pays off his creditors at 40 or 50 cents on the dollar. A government or nation has got to do the same way, but it will be done in the shape of money or a circulating medium that does not have over 40 or 50 per cent of the purchasing power that it had when it was borrowed.

For the sake of argument, admitting that all the foregoing is correct and that the maintaining of relative values is the one essential thing necessary to give each class an equal opportunity, we now propose to show you how this object can be accomplished. Steel has long been considered the barometer of manufacturing interests. We believe there are underlying economic reasons that will go to prove the correctness of this theory. For instance, nearly all manufactured articles are made on machines constructed of steel; the factory building itself is largely made of steel, the goods are transported to the consumer in steel cars running on steel rails, and then the goods are retailed out of a building largely constructed of steel.

Passing on to the raw product, we contend that the price of wheat is the barometer of the raw product and eventually it is the barometer of all business conditions. There never was a time when wheat was bringing a good price that prosperity was not with us as a whole. Neither was there ever a time when the price of wheat went down to exceedingly low levels that panicky conditions did not exist. There are also a great many underlying economic reasons for this and they are very apparent to any one who will take the time and trouble to study the proposition. We are producing in this country approximately 700,000,000 bushels of wheat. While we have not the statistics before us, we believe it is safe to assume that there are one and a half million farms engaged in this enterprise, and from five to ten million people are more or less dependent on this industry. It is the one moneyed crop that the greater portion of American farmers have, and when we say this we are not forgetting the corn farmers of the United States nor the cotton planters of the South. We believe we can show that corn has always followed wheat in its upward or downward journey and not over 24 hours behind. As there seems to be some misunderstanding about this crop, we wish to explain that while farm value of corn is about double that of wheat, it does not follow that it is the crop from which the farmer obtains his ready cash. As a matter of fact, it is largely fed on the farms for horse and cattle feed, and a very large per cent of it is turned into pork. Cotton probably will not follow wheat quite so closely, but with normal conditions it will not be over 24 days behind wheat.

The average farmer or wheat grower, on account of the low price of wheat, now finds himself unable to buy a new pair of overalls or a cotton shirt. He simply patches those he already has and when the patches are worn out, he turns them wrong side to, and wears the other side.

This applies to all articles and materials and, of course, on account of this condition innumerable men are thrown out of employment, which naturally tends to aggravate and make worse the already unbearable situation. Now, if we are correct in our theory that with a stabilized relative value between the raw material and the manufactured article, it would be impossible to bring about the condition in which we now find ourselves. If we are correct in our statement that steel is the barometer of the manufactured article; if we are correct in our belief that wheat is the barometer of the raw material, and we have history and statistics galore to prove this contention, then the only thing we have to do to stabilize the spread between the raw material and the manufactured article, is to in some way, tie wheat and steel together.

This Steel Corporation is controlled by the greatest bunch of financiers the world has ever known. They have at their command one of the finest systems and the best brains of the universe, and we are perfectly willing to tie up to them and let them take command of the ship, providing our interests are mutual.

We simply propose that by an act of Congress the Government becomes the one and only buyer of wheat. This is the staff of life, the one commodity of which anyone can exist if he has enough of it. It is many, many times the cheapest food of the human race. And by all laws of economics and humanity it should be taken out of the hands of the speculator, and the industry put on a footing where there would be no danger of its collapse. We propose that this act of Congress establish a price of wheat with a comparative value of manufactured steel; that is, take the 10-year prewar period. Any competent accountant can find out in a few hours' time the average number of bushels of wheat it took to buy a ton of steel during that period. When this ratio has been arrived at, maintain it; this price on wheat to be at all primary markets, the price to be fixed the 1st day of June each year, according to the cost of steel the preceding year. With this law in force we think you will readily see how that bunch of financiers would be compelled to work for the interests of all the people.

Wheat is now produced almost entirely with the work of steel machines; the labor entering into its production is largely done in the factories, and it is not out of reason to ask that the price be set according to the cost of those machines.

There is one point we should like to bring out. Some people may contend that other raw products do not follow wheat, although we claim they have no basis for their contention. For sake of illustration, we will admit it for a minute. The per capita consumption of wheat of the United States is 5 bushels, and if the price should go up \$1 per bushel it would mean \$5 a year to each person, or, divided by 365 days, in round figures it would mean 1 $\frac{1}{2}$ cents a day, which would be an insignificant cost to the consumer.

If you are interested, it might be advisable to touch on what is to be done with our exportable surplus. In round figures we have for this purpose about 100,000,000 bushels. We believe, as a rule, Europe has had to pay a price for this wheat which would justify the ratio we are asking. And here we wish to call your attention to a condition that now exists in the relative value of wheat and steel. At present it takes nearly twice the number of bushels of wheat to buy a farm tool that it did in 1917. We have heard it remarked that the cause of this was the collapse of the European market for wheat. We are wondering if there was not just as great a collapse in the market for steel, as it seems to us that the steel industry depends more on exports than the wheat industry. In 1917 the value of wheat and flour exported was \$384,000,000. In the same year the value of the iron and steel exports was \$1,244,000,000.

If there should come a time when Europe would not pay the price, the best policy to follow, then, would be to curtail our production, cut it down to home requirements, for what is the use of producing a surplus to sell below the cost of production and thereby creating all the misery and sorrow for all classes that we are going through at the present time.

If we find that it is not practical or advisable to control production, in that case the Government could buy six-sevenths of the wheat produced, or whatever portion was necessary for home consumption, paying therefor the established ratio; the balance of the crop could be sold to Europe, and the net results prorated among the producers.

We have three main nonperishable crops produced in the United States, namely, wheat, corn, and cotton. All farm products follow wheat in price, for the simple reason that wheat is grown over such a wide area. If the outlook for the price of wheat is exceedingly good, the corn grower of the Middle States sows more acres to wheat and less to corn; this tends to keep the price of corn at a relative value to that of wheat. It in turn gives the cotton planter of the South an opportunity to turn his attention to corn, thereby bringing up the price of cotton.

Cattle and hogs also follow this upward trend, as the farmer will not continue feeding high-priced grain to the low-priced hog.

Activities along these different lines greatly increase demand for the manufactured article, thereby giving everybody employment; this increases home consumption of farm products, which has a tendency to keep our exportable surplus down to the average.

We do not have to wait for all these changes in planting to be brought about to bring the price of other farm commodities up to wheat, as it is really a psychological condition.

Everyone realizes now as never before that the prosperity of this country lies entirely with the farmers, and that if the farmer does not prosper no one else can, except a favored few. They realize that in order for the farmer to prosper he must get a price for his products somewhat in excess of the cost of production, and not below. They also realize that the cost of this production is largely governed by the cost of the manufactured article, and the price of this manufactured article is arbitrarily fixed without any relation to the laws of supply and demand. The manufacturers are able to do this through their organization to control the supply.

If the farmers were not so numerous and so widely scattered, they, too, could organize to control supply, in which case there would be no need of the legislation suggested.

The essence of our argument is to in some way establish a relative value of the ordinary commodities used and produced in the United States, and, when this has once been established, stabilize and maintain it. If the present relative value is correct, then maintain that ratio. In that case we will cut up our farms into 20 and 40 acre tracts. We will teach our sons the use of the cradle and the flail and teach our daughters how to weave cloth. If the present relative value is not correct for the best interests of all concerned, then we had better immediately get busy and establish a condition where they will be correct. This will not be done by appropriating large sums for the redemption of the swamp, the desert, and the cut-over lands in order to make homes for our returned soldiers. God pity them if they accept such a home. They had better, far better, be in the trenches of France. If we wish to appropriate money to in some way make the returned soldiers' life more pleasant, then use it for the building of factories and put the soldiers in charge. Continue this policy until the present monopolies are broken up and the producer of raw material is on an equal footing with the manufacturer. Then, and only then, can you turn your attention to the redemption of the desert; and for every dollar that is expended to build a farm there should be another spent to build a factory.

Thanking you for your attention and trusting that you will give our proposition and arguments the close study we believe they deserve, beg to remain,
Very truly yours,

W.M. POTTER.

STATEMENT OF MR. WESTERN STARR, REPRESENTING THE NATIONAL COMMITTEE OF THE FARMER-LABOR PARTY.

Mr. STARR. Mr. Chairman, I reside in Washington, having been frozen out of the farming business some few years ago on account of the war, but I am here to represent the Farmer-Labor Party, or the national committee of that organization. While it grieves me in some way to feel that I am compelled to oppose the proposition of my friend, Senator Ladd, and the proposition involved in both of these bills, nevertheless I am here to oppose the proposition of the stabilizing of prices of agricultural products, and particularly as represented by the two bills here. I do not believe that that is the way to reach the problem that we are trying to cover.

The CHAIRMAN. You, Mr. Starr, as I understand it, are opposed to the proposition entirely?

Mr. STARR. I am.

The CHAIRMAN. Regardless of any bills?

Mr. STARR. Regardless.

The CHAIRMAN. You do not think we ought to stabilize prices at all?

Mr. STARR. I do not believe in the principle at all. I believe that the great difficulties from which agriculture is suffering, and they are merely an indication of what all interests in this country are now suffering, flow from precisely this principle of fixing prices. We have fixed prices on manufactured articles in this country for the last 50 or 60 years. We have fixed the price of credit; we have fixed the price of transportation; we have established special privileges for special interests all the way through, and they have been accumulating and piling up, Peleus upon Ossa, all of this time, regardless of the fact that the agriculturist, the man down at the bottom, the primary producer, is the man that has to carry all of these burdens. The farmers in Nebraska do not realize

it, but they are paying a rent on Wall Street skyscrapers, and have been doing it ever since they have been built, and that condition applies throughout the whole country.

It is not at all a new proposition; it is as old as Roman history. You can go back to the time of Diocletian and you will find an edict issued by the Roman Emperors stabilizing prices, and if you will allow me to refer to that for one moment, I recall reading in my Gibbon the story of price fixing by the Roman Empire. It says:

"The most peculiar document which has come to light since the publication of Gibbon's history is the edict of Diocletian, published from an inscription found at Eskhissar by Col. Leake. This inscription was first copied by Sherard, afterwards much more completely by Mr. Banke. It was confirmed and illustrated by a more imperfect copy of the same edict, found in the Levant, by a gentleman of the Aix, and brought to this country by M. Vescovalli. This edict was issued in the name of four Caesars—Diocletian, Maximian, Constantius, and Galerius. They fixed a maximum of the prices throughout the empire for all the necessities and commodities of life. The preamble insists with great vehemence on the extortion and inhumanity of the vendors and merchants. The edict, as Col. Leake clearly shows, was issued B. C. 303. Among the articles on which the maximum value was assessed are oil, salt, honey, butcher's meat, poultry, game, fish, vegetables, fruit; the wages of laborers and artisans, schoolmasters, and orators and beer. The depreciation in the value of money, or the rise in the price of commodities, had been so great during the last century that butcher's meat, which, in the second century of the empire, was in Rome about 2 denarii the pound, was now fixed at a maximum of 8. Col. Leake supposes the average price could not be less than 4; at the same time, the maximum of the wages of the agricultural laborers was 25. The whole edict is perhaps the most gigantic effort of the blind, though well intentioned, despotism to control that which is and ought to be beyond the regulation of the Government." (See an edict of Diocletian, by Col. Leake, London, 1826.)

The CHAIRMAN. Will you give the citation of that?

Mr. STARR. That is from Milman's Gibbon's Rome, volume 1, page 448.

The CHAIRMAN. That will be sufficient.

Mr. STARR. I was going to give you the edition.

The CHAIRMAN. Well, if you have that.

Mr. STARR. It does not give the year.

The CHAIRMAN. All right.

Mr. STARR. It is published by Houghton, Clark & Co., of New York and Chicago.

Ancient Athens, 400 B. C., was the great wheat market of the eastern Mediterranean. Attica embraced about 900 square miles, roughly 30 by 30 miles in extent. Its soil was better adapted to olives, figs, and grapes than to grain. Regulation of the grain trade and of prices for wheat were drastic. Retail dealers were prohibited from buying more than about 50 measures (about 75 bushels) at one time, and forbidden to profit more than 1 obol, or less than the weight of silver in our dime. The penalty for violation of these price-fixing laws was death. But the severest penalties failed to check speculation in wheat. Gain could no more be controlled in Athens than it can in Chicago. The Athenian courts were choked with litigation much as American courts are now being swamped by prohibition litigation. The legislation was futile, as it was itself a violation of deeply underlying economic principles.

Now, Mr. Lyon has talked for an hour and three-quarters before this committee, and I do not presume that I can have half of that time; but if I were disposed to be facetious, I would suggest that his talk reminds me very forcibly of the results when a lawyer undertakes to talk about agriculture.

I think Mr. Lyon, if I may use his name, lives in the center of an agricultural district which feels the depression very much; but it is not only there but everywhere, and I would like to point this out: You do not need any legislation to affect prices of agricultural products for the year 1922, because there won't be any surplus products for 1922 to be fixed. Over 40 per cent of the tillage of American agriculture is performed by tenant farmers, and over 40 per cent of tenant farmers of America, who planted crops last year, are not going to plant crops this year, because they are starving to death on the farms. They can not pay their taxes; they can not buy their clothes and fuel; they can not keep their interest down; they have nothing on earth at stake except labor, and they are going to the cities to find employment; and

the surplus crops of this country have never amounted to as much as that percentage of the tenant farmers, which will not be employed this year in the production of crops.

Another proposition: The prices of these commodities are fixed on the other side of the water. The price of wool is fixed in Bradford, England. Do you want to underwrite the wool product of the entire world, in order to protect a few flockmasters in this country, at the expense of the rest of us? Do you want to fix the price on wheat, the maximum price of which is fixed in Liverpool? You might as well pass an edict against the tides or against the revolutions of the moon as to undertake to fix prices when the prices are fixed directly beyond our jurisdiction and control.

The price of cotton is fixed in Manchester and Lancashire. How can you pass an edict here that will affect the price here, unless the Government underwrites the world's crop?

It was suggested that England was fixing the price in Egypt. That is very natural. There is a certain quality of cotton raised in Egypt, long fiber cotton, that we do not raise here, and it has been the British policy for 25 years to encourage the development of the cotton industry independently of the United States. They want to find an increased production all over the world in order to make them independent of the American producer. That is a very deliberate policy, and has been; and if you are going to fix the price of cotton for the American cotton producers you will have to fix the price of cotton for the Egyptian cotton producers, the Indian cotton producers, and the Armenian cotton producers.

Now, take corn. The price of corn is fixed by the price of what your corn goes into. That is the packing-house products, and were it not for established monopoly which has been permitted by the United States Government to thrive and flourish at the expense of the American people, you never would have any trouble about the natural prices of agricultural products or packing-house products.

One of the serious points in the unrest of the American people to-day is the special privileges which have been enjoyed by the packers. It may be known to all of you that the original investment of the Armour institution in the meat business was \$160,000, and there has not been a single dollar of original capital put into that business since that time, except out of profits of the business.

The CHAIRMAN. I think you ought to add to that that Armour has paid during that time a dividend.

Mr. STARR. Absolutely. That goes without saying.

The CHAIRMAN. Yes.

Mr. STARR. They have been paying most generous dividends all the time.

The CHAIRMAN. Which anybody will admit is at least reasonable.

Mr. STARR. They have been paying generous dividends which has kept their securities above par.

The CHAIRMAN. Yes. There would be some excuse for adding the profits of the business into capitalization if there were no dividends declared?

Mr. STARR. Undoubtedly.

The CHAIRMAN. But if reasonable dividends have been declared, then the amount that is put into capitalization from profits is what is contributed by the consumer?

Mr. STARR. Yes. Here is the middleman, who stands on the bridge, with the producer on one side and the consumer on the other, and he takes the toll both ways.

Now, I attended the agricultural conference called here last week, which was precisely on a par with the unemployment conference, which was called some months ago, and which I also attended. I hesitate to draw inferences, but it was very much like the disarmament conference which is in session here. I do not wish to make definite allegations against the motives and the purposes for which those conferences have been called, but so far as the net result is concerned, for the American people, they amount to nothing but an attempt to create political capital to bulldoze and flimflam the people. At that conference I saw three men inside of 10 minutes in one room. One of them was J. Ogden Armour, one was Tom Wilson, and one was Barney Baruch.

The CHAIRMAN. They are all farmers.

Mr. STARR. I do not wish to make any allegations against the motives of those men. They have just as much right to go to one of those conferences as

I have and express their views, although they were given the opportunity to express their views and I was not. However, that makes no difference.

Now I want to go further in speaking of the Roman attempt to fix prices. English history is literally stiff with illustrations of attempts on the part of Kings, Queens, advisors, and counselors, ignorant of economic principles, undertaking to fix prices, and from Richard II and Edward III down to James I and Charles II and Henry VII and Henry VIII they undertook to fix prices on various things.

Shakespeare very wonderfully illustrates the real meaning and philosophy of the whole game when he has Jack Cade say, in *Henry VI*:

"There shall be in England seven half-penny loaves sold for a penny : the three-hooped pot shall have ten hoops ; and I will make it felony to drink small beer ; all the realm shall be in common ; and in Cheapside shall my palfry go to grass ; and when I am King, as King I will be, there shall be no money ; all people shall eat and drink on my score, and I will apparel them all in one livery."

Now, it does not need the greatest mind since Plato to see the real economic meaning and fallacy of the whole thing.

What we are suffering from, Mr. Chairman—and let me urge it upon you gentlemen—what we are suffering from is this same principle applied at the other end of the game. The only suggestion that was offered by the agricultural conference, or the chairman of it, after having had a seven months' investigation of the conditions of agriculture, was that the net result of the entire deliberations of that whole committee was simply that "Your enemies are organized, and you are helpless because you are not organized; the farmer must help himself; he has got to organize; you farmers should have the teeth and claws of organization, in order to be able to fight to defend yourselves against the organizations which we have permitted to grow up and develop and become powerful, and which are preying upon you."

These conditions are not the result of the war. It is utter absurdity to think the war has caused them. It is simply the precipitating lesion. It has foreshortened our history for 60 years, and when a man has been living a riotous and glutinous life for 60 years and he has the gout, dyspepsia, and rheumatism, and all of the other evils that follow a dissolute life, and he feels himself imperiled, when he can no longer endure the suffering, he calls in a doctor, and he expects the doctor to cure him in 15 or 20 minutes or an hour or two hours, or in a week. It is utterly impossible; it can not be done. There is no such thing as immediate relief for agriculture in this country.

There is one thing that Congress can do, but it will require a revolution in political sentiment to do it, and that is to take such steps as will put the public mind at rest in the belief that a course is being adopted that will ultimately extinguish the grievances from which they suffer, which flow entirely from monopoly.

If you want to correct the farmers' conditions, the first thing you will have to do is to get support for the proposition that the Government shall resume the operation of strictly governmental activities. There is absolutely no justification for the Government of the United States to turn over to groups of private individuals the operation of the functions of government, and all of our troubles arise from the perversion of the powers of government.

Take the perversion of the power of credit. Now, I do not want to go into a long argument on that, because there is no time for it, but I could demonstrate to an accuracy that fairly tingles with scientific precision that the turning over by the Government of the United States of its money functions to private individuals has cost the people of this country more than \$1,000,000,000 a year for every year since Washington became our first President. That is one of the first penalties that the people have to pay for allowing private and special interests to operate the money functions of the Government.

The same thing applies to the transportation proposition. That is a Government function, a public function, and we have farmed it out to special interests to operate and function for the Government.

The CHAIRMAN. You would advocate, then, as I understand it, as one of the things that would help agriculture, Government ownership of railroads and operation?

Mr. STARR. The Government ownership of railroads and operation, and the Government issuance of money.

The CHAIRMAN. That is a question I was going to ask you next, about the money.

MR. STARR. Yes. Those are the two important things.

THE CHAIRMAN. You mean that you would do away now with the gold standard, for instance?

MR. STARR. Gold ought to be absolutely abolished. It is absolutely impossible that gold can be the basis of credit for the world's debts. If I could get a law assed which would make hickory wood the only available and lawful material or yardsticks, and nobody could measure anything lawfully except by hickory yardsticks, and if I happened to have the only hickory grove there was in the country, you can easily see where I would land.

And that is the proposition they have to-day. They talk about fiat money. Good heavens, there never was any kind of money on earth except fiat money. It is all fiat. The gold in a \$10 eagle, melted up and battered out of shape, is not money, and you can not make it money. The thing that makes money is the stamp of the sovereign. That is what makes the money.

In speaking of the money proposition of this country to-day, only 5 per cent of all of the transactions that take place in this country to-day, or in the whole world to-day, are performed by the use of money. Money has come to be nothing else than a measure of value; that is all. It is not a circulating medium, except to the amount of about 5 per cent of the transactions.

Just to illustrate: A man goes into a bank and borrows a hundred thousand dollars. Considering the bank as a unit, he puts nothing into the bank and he takes nothing out of the bank. The banker is a bookkeeper, transferring credits to and from; but when he comes to settle, he pays the interest, and he pays his commission, the moral hazards and risks that follow. The money never was even printed.

At the peak period during the war, when our credit rating was highest, on the basis of less than \$5,000,000,000 of money that was actually in circulation, on a basis of less than \$3,000,000,000 invested in bank business of this country, they had erected a credit structure of over \$57,000,000,000. Now, if we are to permit these private individuals to use the arm of the Government to exploit the rest of the community—and the farmer is the fellow that has to carry all the load—you do not need to wonder where the farmer gets off. It has gotten so to-day that a man can not buy a team, he can not build a shed or a fence, or paint his house, or put in a well, but what he has to go and ask a banker whether he can do it or not.

I do not care who owns the farms of the country—it is a matter of complete indifference so far as that is concerned—if only I can control the railroads. I do not care to own them, the great public utilities of the country. I do not care who owns the farms or the railroads, provided I can control the terminal facilities. You may be aware of the fact that the public policy of Great Britain has been for a great many years to get control of the mouths of rivers, the harbor facilities, of any continent or any coast. I do not care who owns the farms and the railroads or the terminal facilities, provided only that I can control the use of the credit of the country, because I will be the dominant partner in every business that is carried on throughout the extent of our dominions.

That is the situation to-day with regard to credit.

Something has been said to this committee in executive session concerning the conditions of agriculture in Australia and the public policy adopted with regard to that industry. I venture the opinion that such relief as has come to agriculture in Australia, such differences in present conditions as contrasted with former conditions in Australia, or with existing conditions here, are adequately to be accounted for by the great changes in Australian public policy as to public finance. Agriculture and other industries have been emancipated from credit serfdom.

All that agriculture needs is to abolish the handicap imposed on it by special privilege and monopoly.

It has become so with regard to railroads that we have made these whole propositions, not technical, not administrative, not material; we have made them financial propositions, and have even capitalized the power of monopoly to exploit labor.

On the transportation proposition and public utilities generally we have erected the buffer state, the buffer institution, something to stand between monopoly on the one side and the outraged people on the other, and we call it the Interstate Commerce Commission. They have taken control of public utilities away from local opinion and lodged them in remote authority ap-

pointed irresponsible to public opinion, and they have in practically every State and city and county in the country done that, in addition to the Federal commission which says what shall and what shall not be. And the Spokane rate case, which has been in the courts for 25 years, is not settled yet.

The CHAIRMAN. It is like Jarndyce and Jarndyce?

Mr. STARR. Jarndyce versus Jarndyce.

They make them believe that they are making medicine for the benefit of the people, and the time is coming when they are not going to believe you very much longer. They are going to take things into their own hands greatly as I shall regret to see it.

Now, there is no use of my talking too much, gentlemen. You know as well as I do—everybody knows these things, and they are not going to go on any longer as they are now.

You have the words of the greatest Democrat of our own time, when he said, "A house divided against itself can not endure." Now, I maintain that a Nation, which, as to its political form, is organized as a democracy, but which, as to its actual substance, is an economic oligarchy, is a house divided against itself and can not permanently endure in that condition. It has either got to be openly and avowedly a political oligarchy or we are going to find ourselves again an economic democracy as originally designed. It is going to be changed. Now, which way is it going to be—up or down? Is it going to be better or worse? It is not going to be better so long as we permit private interests to operate functions of government.

That is what is the matter with the farmer.

Now, I must not take any more time. I shall be very glad to; I am full of it.

The CHAIRMAN. Well, what, Mr. Starr, do you think this committee, having these various bills before it, should do? What is our duty, in your judgment? Is there anything we can do to relieve the situation?

Mr. STARR. Yes. I am not sure as to how far your views might prevail. I realize that. The men who are the genuine friends of industry and the freedom and future of this Republic are in a small minority; and when I say "the friends," I do not mean to say that there is an intentional purpose, but I do maintain that 90 per cent of the Congressmen and the Senators of the United States ought to go to an economic school for a few weeks.

The CHAIRMAN. Is that your advice to this committee? [Laughter.]

Mr. STARR. I hope gentlemen, you will not think I am trying to be personal here at all; but when I see the legislation that has been proposed in many ways and the legislation that has been enacted in many ways, I have very serious question.

I want to read you one formula. In the seventeenth century Gregory King, an English economist, deduced from elaborate computations, that he carried over a long while, a law which was the result of observed uniformities covering a long period of time, of phenomena showing the price of agricultural products with reference to the law of supply and demand. Of course, we have abolished the law of supply and demand, or tried to do so.

My friend spoke about prices abroad. When you can buy an international harvester in Ontario or Winnipeg for less than half what you have to pay for it in Chicago where it is made; when an American manufacturer's products are sold universally, as they have been for years, abroad—

Senator GOODING. Have you any record of that kind?

Mr. STARR. There is a record of that kind which I can produce, if it is desired.

Senator GOODING. I would like to have it.

Senator HARRELD. That has been disputed and disproved in a great many instances. I do not know about this specific instance.

Mr. STARR. Well, I have a friend that bought American shoes at Punto Arenas, the extremely southern settlement on the American continent, for just half what he could buy them for in the town where they were made.

I have a watch in my pocket made in Elgin, Ill., and sold in Liverpool at \$7, bought by an American for \$9, and brought back into this country and sold for \$11.50. You can not get them at wholesale in Elgin, where they are made, at less than \$10, but in Europe they can.

When American manufacturers issue catalogues with two rows of prices and when they say, "When ordering, please state whether desired for foreign or domestic markets," you have a bad situation.

Take steel rails. There are no steel rails manufactured in America but what, when sold abroad, can be bought at a lower price than they can be bought for here.

STABILIZING PRICES OF CERTAIN AGRICULTURAL PRODUCTS. 111

In other words, we are permitting the special interests to exploit the American market.

Now, this is the formula I was going to give you, it was to this effect: A decrease in the normal supply of any commodity by one-tenth, automatically raises the price above the common rate three-tenths; a decrease of two-tenths in the ordinary normal supply raises the price eight-tenths; a decrease of three-tenths raises the price sixteen-tenths; a decrease of four-tenths raises the price twenty-eight-tenths; and a decrease of five-tenths raises the price forty-five-tenths.

That law has been accepted by English economists, Thorold Rogers and others who are regarded as authorities on such questions, and is now a practical working rule in economic philosophy.

Senator HARRELD. Let me ask you a question right there. You have evidently studied these things very thoroughly. Mr. Lyon has done likewise, but you two gentlemen are diametrically opposed to each other in your conclusions. Now, what is the poor committee going to do under those circumstances?

Mr. STARR. Well, about all I can say is that, Senator—

Senator GOODING. I will not have any trouble in finding out what I shall do.

Mr. STARR. The committee has to take its chances.

Mr. LYON. I am not a political economist.

Mr. STARR. I have the utmost respect for Senator Ladd, personally. I have the utmost confidence in Senator Ladd as a scientist within the field in which he works; but Senator Ladd will not take exception to the proposition that if I were to have my watch repaired I would not take it to a blacksmith. Now, Senator Ladd, I am positive, without asking him, has been bombarded from all over this country by an irresistible avalanche of appeals to do just this sort of thing, and I do not blame Senator Ladd for introducing it. So there is only one thing that he will have to answer for, and that is for not saying at the time that he introduced it, that it was introduced by request.

The CHAIRMAN. We will have to adjourn here.

(Whereupon, at 12 o'clock m., the committee adjourned until Friday, February 1, 1922, at 10.30 o'clock a. m.)

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STABILIZING THE PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

TUESDAY, FEBRUARY 7, 1922.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met at 10.30 o'clock a. m., pursuant to adjournment, Senator George W. Norris presiding.

Present: Senators Norris (chairman), McNary, Capper, Keyes, Ladd, Ransdell, Harrison, and Caraway.

The CHAIRMAN. I understand Mr. Robert Fechner, of the International Association of Machinists, wants to be heard.

STATEMENT OF MR. ROBERT FECHNER, MEMBER GENERAL EXECUTIVE BOARD, INTERNATIONAL ASSOCIATION OF MACHINISTS, SAVANNAH, GA.

The CHAIRMAN. Will you give your name to the reporter?

Mr. FECHNER. Robert Fechner. I am a member of the general executive board of the International Association of Machinists.

The CHAIRMAN. You live in Washington?

Mr. FECHNER. No. My headquarters are in Savannah, Ga.

The CHAIRMAN. Briefly, what is that association? Is it an international association, as its name implies?

Mr. FECHNER. Yes; in so far as we have organizations in Canada and Mexico.

The CHAIRMAN. How large a membership do you have?

Mr. FECHNER. About 235,000 at present.

The CHAIRMAN. That is the association of which Mr. Johnson is the head?

Mr. FECHNER. Yes.

Senator CAPPER. Is your membership made up of railway as well as other employees?

Mr. FECHNER. Yes; as well as manufacturing and contract shops.

The CHAIRMAN. Now, go ahead in your own way and tell the committee what you want to about this bill we are discussing.

Mr. FECHNER. Gentlemen, the interest that our organization has in the bill is due to the reports that are received at our headquarters here from our field men who are employed for the purpose of assisting in carrying on the work of the organization in various localities throughout the country, and also reports which we receive from our local officers in carrying on the business of our organization in the various localities.

Those reports for months past have been indicative of a serious situation in many agricultural sections of the country, particularly in the West and in the South. We believe that the welfare of our membership is affected by the welfare of the agricultural interests, and we feel that in many localities our men are unemployed and have been unemployed for a considerable period due to the fact that the farmers are not in a prosperous condition, and that has affected the entire industrial structure of the locality where those conditions exist.

We have many reports on file at headquarters indicating the very serious condition in which the farmers are placed, particularly in the western part of the country, just at this time. Somewhat similar reports come from the Southern States, due to the condition in the cotton and lumber trade; but we have not received reports of a very serious nature from those sections very recently. But there is no question in our minds about the unfortunate and

very serious condition in the Middle West and farther west, and at a meeting of our general board, which is having one of its routine sessions at headquarters here at the present time, President Johnston called the attention of the board members to many of these reports which he had received, and the board in considering the situation decided that it was perfectly proper and in fact desirable that they should express themselves on this kind of legislation for the relief of these conditions, and at the session of the board last week the board officially went on record as approving the principles of the pending legislation and urging that the legislation be adopted.

We do not desire to try to specify any price at which any farm product should be sold. We do not feel that we are in position to go to that extent. But we do feel that a living price is just as necessary for the farmer as a living wage is for the wage earners in the mills and shops, and it is the principle which we want to be recorded as officially approving and urging that it be adopted by the Congress.

That, briefly, is the position that our organization takes at this time.

The CHAIRMAN. Are there any questions of this witness?

Senator RANSDELL. I would like to ask a question.

The CHAIRMAN. All right, Senator.

Senator RANSDELL. Would you kindly tell us how you propose to bring about the system of price fixing in, say, the four leading agricultural commodities specified in this bill, unless we are going to have a general system of price fixing for other agricultural commodities and, going further, for various and sundry manufactured articles? Explain how that would work as a practical proposition.

Mr. FECHNER. The position we take, Senator, is that these things are emergency propositions just at this time, and we feel that while it might not be a desirable thing to adopt price fixing as a permanent policy, the conditions existing justify a resort to that method of trying to bring about a restoration of prosperity to a degree, at least, and we think it can be done by this committee or by any agency that you might provide, and that it should be done merely to take care of this emergency that we believe exists. It might not be desirable to restrict it merely to four agricultural products, and, so far as we are concerned, we have no desire to limit it to that number if in the wisdom of the committee the provisions of the act should be extended. We do feel that safeguards can be provided that will prevent any abuse of this legislation.

While I do not know that it would be desirable for me to express my personal views in connection with the matter, I think that the experience we had during the war showed that where serious emergency exists provisions can be made to take care of it until it passes. The regulation of the middleman, which has been discussed so much, and which everyone is thoroughly familiar with, is one of the things that we believe should be very strictly regulated. We believe that a great deal of the cost of distribution should be eliminated and can be eliminated, and if the legislation provides for regulation of that kind, it will go a great way toward eliminating the evils that have so seriously affected the agricultural products up to the present time.

I do not think that we would desire to limit the provisions of this legislation merely to the four products.

Senator RANSDELL. I was going to ask you if you would limit it that way. I happen to be a representative of a State, for instance, which is a very large producer of sugar, a very large producer of rice, and also raises a great many sheep and cattle and things of that kind. They are not provided for at all in this proposed legislation. Hay is one of the most important of the agricultural products. That is not provided for in this legislation. There are other cereals also that are very important that are not provided for in this legislation.

The CHAIRMAN. As I understand you, you do not profess to be an expert on the question for your organization—

Mr. FECHNER. No, sir.

The CHAIRMAN. As far as the details of any legislation are concerned and that you are not trying to submit a plan, but merely approve the general principle.

Mr. FECHNER. Yes, sir. That is it exactly.

The CHAIRMAN. As a temporary measure?

Mr. FECHNER. Yes, sir. I want to repeat that the interest which brought about the action of our board and my presence here before the committee was on account of the reports which we received from our field men and our local

representatives, calling our attention to the suffering that is actually in existence. We merely want to indorse the principle of the legislation and leave to the wisdom of the committee to work it out.

Senator RANSDELL. If I understood you correctly, you do not represent the agriculturists?

Mr. FECHNER. No, sir.

Senator RANSDELL. You do represent manufacturers, though, in that you represent skilled labor which works in factories largely.

Mr. FECHNER. We represent the machinists working in the railroad shops and the contract shops, and wherever machinists are usually employed.

Senator RANSDELL. Now, then, if Congress passes this bill providing for price fixing of certain specified agricultural commodities, could you give us an idea of whether or not your own association would be before Congress at the next session or at this very session asking for price fixing of articles that are more intimately connected with agriculture?

Mr. FECHNER. I do not think there is any possibility of that, Senator, unless conditions should develop affecting our own members in the same degree that we are informed the interests of the farmers in these localities that I have mentioned are affected at the present time. If industrial conditions should develop to the point where national aid is needed for the machinists or for any other workers in the country, we would not hesitate to come here to Congress and ask for that relief, if such an emergency justified it.

Senator RANSDELL. By fixing prices on these manufactured commodities, or whatever method you thought would accomplish the result?

Mr. FECHNER. By whatever means we felt would be best to accomplish the object desired.

Senator RANSDELL. I just wanted to get your view.

The CHAIRMAN. Unless you have something else, that will be all. We are obliged to you.

Mr. Wallace, of the American Federation of Labor, is here.

STATEMENT OF MR. EDGAR WALLACE, REPRESENTING THE AMERICAN FEDERATION OF LABOR.

Mr. WALLACE. My name is Edgar Wallace. I represent the American Federation of Labor.

Mr. Chairman and gentlemen, the American Federation of Labor sees in the embarrassment of the farmer the primary cause of all the unemployment east, west, north, and south. The factories in New England, the textile mills in New England and the South, our building trades, and everything in which labor is interested are suffering to-day from unemployment because of the condition that the farmers find themselves in, and from their restricted buying power. We indorse the purposes of the bills. I believe there is more than one bill, Senator?

The CHAIRMAN. I think there is, in the House and the Senate both. There is only one bill before this committee.

Mr. WALLACE. We indorse the purposes of the bill as a temporary measure. During the war maximum price fixing was indorsed by the country and by Congress. To-day we are finding conditions reversed because of the war. As far as the farmers are concerned the war is not over. Their market has been ruined. Since they were restricted during the war from making abnormal profits why should they not be protected to-day, when extraordinary conditions growing out of the war are ruining them? We feel that some measure of protection is due the farmer; and in protecting the farmers we feel that the workers in every district and in every industry will have a chance of employment. Our wages have been reduced below the cost of living to-day, while the debt resulting from the war still exists. We still have this great debt and the necessity for taxation. We have to help pay, and the farmers have to help pay at least the interest on this debt while their own products are reduced even below a living standard.

We believe that, as far as the farmers are concerned, the war is not yet over. The conditions with which they are confronted are still the result of the war, and, as I said before, it seems only fair that since they have been restricted from making abnormal profits during the war they should be protected from destruction now from results growing out of the war.

The American Federation of Labor believes that in the interest of all working people, farmers, and manufacturers of the country, some protection should

be given the farmer. Whether this deflation that has fallen so heavily upon the farmer was intentional and intended to bring about the result that it brought, or whether it was just incidental, does not make any difference; the condition is upon them and the interests of the country require that they be afforded some measure of relief.

Senator McNARY. Mr. Wallace, if prices are fixed, as contemplated in the Ladd bill, on staple farm products, it would tend to increase the cost of living to the consumer for a time, would it not?

Mr. WALLACE. It will have some tendency toward that end. My personal experience here in Washington leads me to the conclusion that if you compare the price that the farmers are getting with the measure of relief that is being given to the people, with the price that the people are paying in the cost of living, you will find that it is no relief at all. We can not see the connection. With beef selling for 7 cents on the hoof, we are paying anywhere from 50 to 75 cents.

Senator McNARY. I realize that this bill would not cure that situation. If the farmer is afforded relief by reason of the enactment of this bill, those who receive fixed salaries would have a more difficult time to get along, would they not?

Mr. WALLACE. Senator, I am sorry for the people who are employed on fixed salaries. Those people suffered during the war. But, after all, they represent a small minority of the people of this country. When the cost of living was high and when wages were high we did not suffer so much. We got along nicely. It cost us more to live, but we were getting higher wages. Then what little suffering there was on that account was more than offset by the fact that there was little or no unemployment.

Senator McNARY. Well, I have been trying to get your views on this point. A very large class in your organization represents men who are wage earners, men who receive salaries. If the cost of living should be increased by reason of the enactment of this bill, would there not be a corresponding desire on the part of those people to have their wages increased?

Mr. WALLACE. Possibly; yes. And it is possible that just because of the assumption of employment wages would automatically be raised. In this last year there has been a large discharge of workmen, causing unemployment, and then the very fact that workmen were discharged was taken as an excuse to reduce wages, and with the reduction of wages and the unemployment of many more men ceased to be buying consumers, and that meant more unemployment. So we have the endless circle, the vicious circle of unemployment causing more unemployment, and anything we can do to stabilize things now, recognizing the condition to be the result of the war, in my opinion would be of benefit to the whole country.

Senator RANSDELL. Mr. Wallace, what kind of restrictions do you mean were placed upon the farmers during the war?

Mr. WALLACE. I mean that there was a limit, a maximum price placed upon certain commodities.

Senator RANSDELL. Which ones besides wheat? Was there anything else?

Mr. WALLACE. I was over on the other side during the war.

Senator RANSDELL. I do not recall anything but wheat. There may have been other commodities.

Senator McNARY. The price was fixed on hay.

Senator LADD. Yes; and on flour and all those products.

Senator RANSDELL. Well, those were products of wheat.

The CHAIRMAN. I guess wheat was the only one that was fixed by statute. There were others that were fixed by administrative officials.

Senator RANSDELL. There was some limit fixed on sugar also, by the administration. Afterwards I recall that it got up pretty high. I am a farmer. This is the only business I am engaged in other than my business here in the United States Senate. All of my sympathies are with the farmer. But I want to know if you can explain to me why we should fix the price of agricultural products unless at the same time we are going to fix the prices of manufactured products and the price of labor?

Many people have nothing to sell other than their labor—the labor of their hand. I, as a farmer, have got to sell what I produce on my farm. Now please explain that to me, because, Mr. Wallace, that is a practical question that confronts us when we get on the floor of the Senate. As lawmakers we have got to answer that question satisfactorily before we can ever write anything into law.

Mr. WALLACE. Senator Ransdell, the farming interests, in my opinion, represent such a large proportion of the purchasing power of the people of this country, people who by their purchasing power make for employment, that is in the interest of the country as a whole that at least they should not be pressed below a living cost, and that, it seems to me, is the present status of the farmer from my information.

Now, after all, the business of the Congress is to insure the prosperity of the country in one way or another, and I think here is a condition that has never existed in this country before. I think we have come to a time in this country when we have to do something new, something different. We have to proceed along a new line and meet the situation as it exists. In this country of unbounded resources why should we suffer? Why should the working people suffer? Why should the farmers be unable to sell to working people, and why should those working people be unable to supply the farmers with what they need? This is a condition that has grown out of the war and the instability of European finances and Europe generally, the artificial readjustment of Europe, and we have to hew along a new line.

Senator RANSDELL. Do you agree that we ought to restrict the bill to these our commodities of agriculture?

Mr. WALLACE. I don't know about that, Senator.

Senator RANSDELL. About farming you say you do not know much?

Mr. WALLACE. I don't know much about farming. While I have been a farmer boy and am more or less familiar with the different commodities being raised in this country, I do not feel competent to say what prices the farmers should get for their products. But I should—

Senator RANSDELL. You do not understand my question. I did not mean if you think those are the prices, but I say ought we to limit the bill to those four commodities named, or should we extend it to live stock, for instance, to hay, to sugar, to rice, tobacco, and all those things?

Mr. WALLACE. I was going to answer that in this way. I was explaining my lack of knowledge of the market question or the matter of farming as an industry, and then I was going to add this: The men here, representatives of farming in the different districts, could settle that question for themselves far better than I could advise them, and I have no doubt they will. We just want to indorse the intent of the bill, which is to stabilize the agricultural market, or the market for agricultural products.

Senator RANSDELL. I have no further questions.

Senator HARRELD. Mr. Wallace, I understood you to say that if we stabilize the prices of farm products it might increase the cost of living. If we pass this bill would it not result in increased cost of labor and increased cost of everything else?

Mr. WALLACE. Well, if it eventually results—let me say this to begin with. It can not have that effect unless it employs labor. If it employs labor and gives business to the manufacturers, makes for a demand for the output of their factories, even though it may have that effect, Senator Harreld, I think it is far more desirable than the present circle.

Senator CAPPER. Mr. Wallace, I have heard men who claim to be students of economic problems assert that there was an irreconcilable conflict of interests between the farmer and the laborer, to this extent, that the farmer, as a producer of stuff, is interested in obtaining the highest possible price for his products, while the laborer, as the consumer, is interested in keeping food values at the lowest possible price. Do you subscribe to that theory?

Mr. WALLACE. It has been disproved to me, to my satisfaction, in the past few months. We can not work unless the farmer has something to spend, and the farmer can not sell unless we have something to spend. Of course, the farmer is interested in the low cost of labor, and the laborer is interested in the low cost of his foodstuff, but we have to depend on the farmer for employment and he has to depend upon us for market.

The CHAIRMAN. You are assuming that every man, or any class of men, if they are honest, regardless of whether they are consumers or producers, are in the same boat?

Mr. WALLACE. We are all in the same boat.

The CHAIRMAN. And if the farmer can not sell or can not make enough to live, eventually the consumer will have to pay when he comes to buy his product?

Mr. WALLACE. I did not get your question.

The CHAIRMAN. If the farmer can not make enough to live so that he can stay in business it means that eventually the consumer will have to pay a big price.

Mr. WALLACE. He will have to pay eventually.

The CHAIRMAN. If the consumer is honest he ought not to object to the farmer having a reasonable profit, and if the farmer is honest he ought not to object to labor securing a reasonable wage.

Mr. WALLACE. I believe the famine in Russia is the result of nothing other than a farmers' strike. The Russian farmers could not get anything for their products. We had the same kind of famine down here in Mexico. The farmers could not get anything for their products. They could not farm and maintain their families, it didn't make any difference how much they raised. Russia and Mexico, under normal conditions, produce a surplus of food products, but the farmers have quit raising more than they could immediately consume, and that will be the result here.

The CHAIRMAN. There is one thing I think you will agree on, both the farmer and the laboring man: The farmer and the consumer are equally interested in preventing any middlemen from getting an unreasonable profit as the product travels from the producer to the consumer.

Mr. WALLACE. I wish we could get the farmers to understand that as well as we understand it. I wish we could cut out the middleman and market the farmers' product without so much profit to middlemen.

Senator KEYES. Mr. Wallace, can you tell us what the situation is in regard to unemployment at the present time? Is it a little better than it was a week ago?

Mr. WALLACE. It is not. I was a miner for 25 years. I have kept in touch with mining ever since I have been employed with the organization. Now the coal-mining industry, I do not think, is more important than some other industries, but it is a very fair barometer inasmuch as every other industry uses coal, and the coal miners are experiencing more unemployment than normally.

The CHAIRMAN. Is that true, now?

Mr. WALLACE. I mean normally considering the seasonal handicaps of the industry, which means that they are never fully employed.

Senator HARRELD. Compared with what they have been before.

Mr. WALLACE. What they have been in normal times, recognizing the seasonal handicaps and the fact that even in fair times we are not fully employed.

Senator HARRELD. What is the percentage of unemployment in fair times?

Mr. WALLACE. It is about 33½ per cent, and our information—and we have good sources of information as anyone—is that conditions are not growing better. Now, I can fully realize the desirability or the advisability of minimizing this unemployment situation because of the psychological effect. If a merchant is made to believe that conditions are not getting better but are getting worse, he will contract on his orders and bring about the very condition which we fear. In talking before men who have to deal with this subject we must recognize facts; but I want to tell you, sir, that conditions are not getting better. They are getting worse.

The CHAIRMAN. I would like to have you tell us, if you can, why it is that the miners are only working a third of the time. What is the cause of that?

Mr. WALLACE. The fact that industry is not consuming coal. The industries are not buying it, and because they are not buying it men are unemployed. We have our domestic demand restricted because of unemployment. The working man who would ordinarily have a parlor stove going and his cook stove going now only keeps his cook stove going. There is one cause; and then there is industrial depression. The railroads are not burning as much coal, and the factories are not burning as much coal.

The CHAIRMAN. Would the railroads, do you suppose, haul more and consume more coal if the freight rates and passenger rates were cheaper? It is conceded, I think, that freight rates are abnormally high. Lots of times it means to the farmer a difference between profit and loss in that item alone.

Mr. WALLACE. Freight rates are abnormally high and all that, but even then if people were working we would not feel the effect of high freight rates as we do. You know we produce the cheapest coal in this country that is produced in the world, even to-day. While we are producing coal in this country cheaper than any place in the world, if you don't want coal, why, you wouldn't buy coal at all.

Senator CAPPER. Is the consumer getting his coal cheaper in this country than in other place?

Mr. WALLACE. Well, considering the distance. Right now freight rates have entered into this question; the short-haul, say in England and in Germany, compared to this country, I believe I can answer yes.

Senator CAPPER. There is general complaint out in our section about the high cost of fuel right now.

Mr. WALLACE. In Kansas?

Senator CAPPER. Yes.

The CHAIRMAN. Most of that comes, I think, from the item of freight, does it not, Senator Capper?

Senator CAPPER. I think that is the biggest item.

The CHAIRMAN. Freight is the biggest item.

Mr. WALLACE. I know what the labor cost is at the mines; it is about \$1.50. Now, only in the fall of last year they were selling coal at \$15 a ton at the mines. The cost of labor was no more and no less than it is to-day, and yet that same coal to-day is selling at the mine at about \$2.50.

Senator CAPPER. Many of our farmers have been burning corn because it is cheaper than coal.

Mr. WALLACE. We would like to eat the corn and let you burn coal.

Senator HARRELD. Mr. Wallace, while we realize that the farmer was hard hit by deflation, there are those who believe that he is not alone in his difficulties; that it was a natural result of the war, that manufacturers and all kinds of industry were equally affected, many factories were forced to close down and a lot of our people are out of employment, the inference therefore being that there is no reason for singling out agriculture for relief. What have you to say to that?

Mr. WALLACE. Senator Harrel, I believe it started with the deflation of the farmers' products. Whether that was the intent or not does not make any difference. There was a restriction of credits which hit them first, and it made for deflation.

Senator HARRELD. Let me ask you this:

Don't you think that the psychological effect of the emergency tariff law has been such that it has helped the farmer?

Mr. WALLACE. Senator, as long as our market is fixed by what we export it could not affect the prices much. If we export more than we import, why, then, I don't see where protection could have much effect on prices. I am not an expert on protection, but I realize the necessity of protection—and high protection—on some things, but I do not know whether that would be the answer as long as we export more than we import.

The CHAIRMAN. Mr. Wallace, when the farmers' products were deflated and the farmer quit buying that meant, in round numbers, that about one-half of the buying power of the country had gone out of business, did it not?

Mr. WALLACE. Yes, sir.

The CHAIRMAN. Of course, that could not have had any other effect than unemployment of labor. But there is a dispute about whether the deflation of the farmers' products is to blame for the farmers' condition. Some deny that.

I think it ought to be said in fairness that whether that had a bad effect or not, it at least was not the only cause of the farmer's difficulty. He had a surplus of products on his hands, more than the American consumers could consume, and he had no way of getting that product to foreign countries where they were starving for it, for several reasons. One was the high cost of freight to get it there, which put it beyond reach of the consumer. Next was the fact that the man who would consume it in the other countries had to have credit. He had to buy on time. He didn't have the cash. I think it is fair to say that at least had something to do with the farmers' difficulties.

Senator HARRELD. And as the result of that the farmers went on a buying strike, and that in turn forced the consuming public to go on a buying strike and restricted the market for farm products.

The CHAIRMAN. I should think that is getting the cart before the horse.

Mr. WALLACE. I think so, Senator.

The CHAIRMAN. The American consuming public, of course, would go on strike when they were hard up, had nothing to buy with. The farmers' not buying brought that condition about.

Mr. WALLACE. We immediately went on strike when we had nothing to buy with—that is, on a buying strike.

The CHAIRMAN. People were hard up, and being pressed, they ate less bread and less meat, and it reacted again as an endless chain on the farmer.

Senator RANSDELL. Referring again to the coal-mining situation, can you tell me whether or not the fact that Great Britain is sending such large quantities of coal to all the markets that we supplied in 1920, even to our own country, is not affecting the coal situation a good deal?

Mr. WALLACE. There is no doubt that there was more coal ready mined after the war was over than there was when the war started. The fact that Great Britain is sending coal into markets that we got hold of during the war is because she takes back products that those countries produce. She will take in a load of coal and take back a load of their products.

Senator RANSDELL. It is a fact, is it not, that in the fall of 1920 we were sending very large quantities of coal even to the continent of Europe and to South America, and, of course, the entire United States, while now England is supplying practically all of Europe, a very large portion of South America, and is actually selling coal in Boston and New York very extensively?

Mr. WALLACE. Coal mining in Europe was about one-third paralyzed and we had no competition, especially with the German coal mines during the war. Now England has a surplus of coal, not because she is producing more, but because of the German reparation coal supplying her markets.

Senator RANSDELL. Does not that in a way account for the fact that so many coal people are out of employment?

Mr. WALLACE. It accounts for it in part. I think the main part is the general unemployment. With our own industries running we could consume our coal as we have always consumed our coal before the war. The same percentage of consumption then would hold now.

Senator CAPPER. Mr. Wallace, what is your general estimate as to the effect of the cooperative movement in its relation to the high cost of living?

Mr. WALLACE. If we can eliminate certain men from taking high profits for handling the products of the farm, if we can eliminate those who come between the producers and the consumers, surely then both the consumer and the producer would be benefited.

Senator CAPPER. Are we making any progress in that direction?

Mr. WALLACE. We are making very slow progress because of the very nature of our people. It was easier in England or in Belgium to establish a cooperative system among people who had been together for generations, people of the same kind, who recognized that their interests were mutual, than it is in this country with its wide expanse of territory and its many different nationalities and whose people do not understand each other.

Senator CAPPER. Do you not think that we can bring about a great decrease in the spread of prices between the producer and the consumer through the cooperatives?

Mr. WALLACE. Absolutely. We will have to come to it. We know the price that the producer receives and we can compare it with that which the consumer has to pay, and in between there is taken out about four times the actual value as paid to the producer.

Senator CARAWAY. May I just state that yesterday I made a comparison of the price of meat and found that in my town meats of the same grade were selling for just a little less than one-half what the cities paid. And they are selling other farm products about the same way. Our merchants in town there are selling meat for less than one-half what it is selling for here in Washington.

Mr. WALLACE. Senator Caraway, in the investigation on the Calder bill into the price of coal it developed that coal merchants of this town had fixed the price of coal at the profit allowed them by the administration during the war. Now, one man tried to get in the coal business to sell coal in Washington, and he was going to sell it at less than the general trend of prices, and they shut him off from his source of supply, and the coal merchants, wholesale merchants, were able to make it impossible for him to buy coal. I think that is the same kind of thing you speak of. I know of a certain town in Indiana where I can buy meat at about half of what they pay for meat here in Washington and in other large cities. It seems to me that the 2 per cent the packers claim as their margin of profit causes a great appreciation in meat prices.

Senator CARAWAY. But they buy from the same sources—Kansas City and Chicago. They buy the same meat that the retailer does, and it sells down there for about half what it sells for here in Washington.

Mr. WALLACE. It is possible that you have some cattle grown and killed around that country that they have to compete with.

Senator CARAWAY. Oh, no. We have no cattle. In the town I came from they buy all the time, and buy from the same people that sell here. It looks to me like there is a large field for investigation in connection with that. A man is entitled to a fair profit, but of course that is out of all reason.

Senator LADD. In the investigation which was carried on in Chicago they found that the retailer was making anywhere from 15 per cent to 100 per cent on the meat that he sold.

Senator CARAWAY. The men that I mentioned are making something, I know, and if they are selling for twice as much here they are making more than a hundred per cent profit.

Senator LADD. It perhaps goes through too many middlemen's hands.

Mr. WALLACE. That is what I think.

Senator LADD. A representative of a cooperative association called on me yesterday and stated that their products had been sold through seven different middlemen's hands; that they had eliminated five of those middlemen. They didn't claim that the middleman was taking too much profit, but seven tolls were taken where only two were necessary, and through this cooperative association they have eliminated five middlemen.

Senator KENDRICK. Mr. Wallace, you spoke of the action taken to prevent the farmers getting fair profits during the war and that you believed they should be given some protection at this time. Do you consider this measure as tending to give the farmer an opportunity to make money?

Mr. WALLACE. I do. My point was, Senator Kendrick, not that the farmers were prevented from making a fair profit during the war, but that they were prevented from profiteering. Now we have a condition that grew out of the war and the farmer is not able to exist, and I think we should recognize that, while the war is technically over, the result of the war is not really over.

Senator KENDRICK. At least, during the period of readjustment, it is your idea that there should be something done to stabilize the values of farm products, not merely in the interest of the farmer but in the interest of the whole Nation?

Mr. WALLACE. Yes, Senator Kendrick. In my opinion the conditions that confront us now are at least as dangerous as the conditions that confronted us at the beginning of the war. I believe civilization itself is at stake, this throwing men out of employment, ceasing to be paying consumers, throwing more men out of employment. We have had times of depression and deflation before, but we have never had such a condition over the entire world. The whole world is dislocated. We have to adjust ourselves to conditions that confront us, and we have to sail without a chart, do something different, make a test, do something entirely different to anything we have had to do before.

Senator KENDRICK. You have read the conclusion of authorities on the subject, showing small decrease in production and what effect it would have on the increase in price, have you not?

Mr. WALLACE. Yes, sir.

Senator KENDRICK. A slight decrease in production meant an unusual increase in price of farm products.

Mr. WALLACE. Yes, sir; in comparison.

Senator KENDRICK. Do you think it would be quite possible for the Government through some plan of stabilization of farm products to bring to the whole situation a steady influence without any cost to the Government?

Mr. WALLACE. That is my contention, that if it means somewhat of an increase, or even a large increase, in the cost of living, it will be more than repaid by the activity in the industry, helping the farmers, bankers, manufacturers, and workers.

Senator KENDRICK. And by the two transactions we will say, for instance, that the Government will say: "We will take so many million bushels of wheat next year at a certain price," and where there is an unusual supply resulting, that following year reduce the figures for the ensuing year, and by such action it would have the effect of suggesting to the farmer in advance so that if he must go on gambling he would gamble with some degree of assurance, like other gamblers?

The CHAIRMAN. If that is all from Mr. Wallace Mr. Marsh wants to be heard.

**STATEMENT OF MR. BENJAMIN C. MARSH, MANAGING DIRECTOR,
FARMERS' NATIONAL COUNCIL, WASHINGTON, D. C.**

Mr. MARSH. My name is Benjamin C. Marsh. I am managing director of the Farmers' National Council, with headquarters in the Bliss Building, here in Washington.

Mr. Chairman and gentlemen of the committee, I want to take up the principles involved in the two bills pending, or several bills pending, and suggest some changes in both bills; and with reference to Senator Ladd's bill, I understand he made the statement to the committee that he has introduced this bill as a basis for discussion, and I know you will welcome any suggestions which might be helpful.

May I say that a year ago in January, on behalf of the Farmers' National Council, I asked this committee and some other committees of the Congress to consider a revival of the United States Grain Corporation and a fixed price minimum price at least, for wheat; also creation of what was practically the substance of what is known as the Norris Farm Products Export Corporation. At that time the wheat growers felt that they were going to get at least within 75 cents of cost of production. They did not feel that such legislation was necessary.

Twice during the past summer I have been out on the Pacific coast, since last July. I was up in Maine, also. I have been in 21 agricultural States, and in last November and December on a trip to the Pacific coast I found the wheat growers and practically all other farmers in a terribly serious condition.

May I just read this briefly, referring to a letter from the Red Cross? It is rather striking that in our country to-day the American Red Cross, through its disaster relief service, is giving help to farmers.

This is dated January 19, 1922.

(Mr. Marsh read the letter referred to, as follows:)

THE AMERICAN RED CROSS,
NATIONAL HEADQUARTERS,
Washington, D. C., January 19, 1922.

Mr. BENJAMIN C. MARSH,
Managing Director Farmers' National Council,
Washington, D. C.

DEAR SIR: I beg to acknowledge your letter of January 14 requesting information regarding American Red Cross contributions to the drought-stricken people of Montana and other States.

We were originally interested in this situation in 1918, when some relief was given through some of our chapters in Montana and North Dakota. Later in the period from July, 1919, to June, 1920, we expended over \$22,000 for the relief to drought sufferers, and in January, 1921, over \$50,000 was appropriated for this work as a final contribution, and in October, 1921, the work was still further aided by supplying of family workers. Altogether I would say that the Red Cross has helped this situation by giving assistance to the amount of between \$75,000 and \$100,000. This includes both Montana and North Dakota. In addition to this, there has been a small amount of assistance given to the Blackfeet Indians.

I hope this information is what you require. If not, kindly let me know, and I will be glad to furnish you with any other information you may desire which comes within my ability to give.

Yours, very sincerely,

EDWARD STUART,
Director Disaster Relief Service.

Mr. MARSH. Now, I understand that that matter is being investigated, but that is probably only a small part of the real amount the American Red Cross is contributing.

There are two proposals which we want to make on behalf of the Farmers' National Council—two proposals which I submitted to Mr. Gompers, whose representative, Mr. Wallace, has just spoken to you, and also to Mr. Johnson of the International Association of Machinists, and Mr. Fechner, representative of that association, has given their indorsement of the purposes.

Mr. Chairman, I just want to refer to a bill which technically is not before you in this hearing, namely, Senate bill 2897, introduced by Mr. McCumber, to appropriate \$5,000,000 for the purchase of seed grain to be supplied to farmers.

n the crop-failure areas of the United States, such amount to be expended under rules and regulations prescribed by the Secretary of Agriculture.

The CHAIRMAN. That bill is pending before this committee, I suppose.

Mr. MARSH. It is pending before this committee, but it is not under consideration in this hearing.

The CHAIRMAN. Senator McCumber has made no effort to have hearings on it.

Senator LADD. Senator McCumber asked me a few days ago to take it up to-day at this meeting to see whether this committee would take action, and, if so, what action would be taken.

Mr. MARSH. I was going to say that Senator McCumber also informed me that Senator Ladd would take care of it. I know it is not technically before the committee at this time, but I want to consider it, because there are two things the farmers have to have, it seems to us, and they are interim relief. There probably is no necessity of their being adopted as a permanent policy, but when you are faced with a condition in which hundreds of thousands of farmers are in actual destitution, it seems to us that specific measures of immediate relief are necessary, particularly in view of the fact that the whole world is faced with what you might as well admit is revolution. It is worse than during the war. All the peoples of the world have been disillusioned since the war. During the war they were in a state of high patriotism. Now, they are in the depths of despair and discontent and are wondering what is the matter with Government.

Now, a hundred million dollars is a small amount to enable the producers of this country, farm producers of this country, to buy seed, implements, and to feed and clothe their families until they can get some return from their crops. There are easily, if my information is correct—it is not statistical—a million farm families in very bad condition in this country. An average of a hundred dollars each would tide them over until they get on their feet. We, therefore, ask that the proposed sum be raised to \$100,000,000, instead of the amount stated in this bill, and that it be not limited to drouth-stricken areas, because in some sections they produce crops at a fearful loss, and there is a great amount of suffering.

The CHAIRMAN. As a matter of fact, is it not true, Mr. Marsh, that in a great many places the bigger the crop the worse it was for the man who produced it? If he lost a certain amount on each bushel of corn, the more he produced the further it ran him back. Is not that true of a great many localities?

Mr. MARSH. That is absolutely true, Senator.

The CHAIRMAN. He would still be worse off than the man who did not lose anything, because he can not feed himself.

Mr. MARSH. In this way, he is unable to feed himself, and he has incurred a larger debt, while he would go to jail if he did not supply his family with the necessities of life. It is a strange way to punish a man for producing.

If I may take up the international situation somewhat, we have never over-produced farm products in the world. We have suffered continually from under-production because of the misdistribution of the national income in this country, and that is one—

The CHAIRMAN. You are speaking now of world production?

Mr. MARSH. Yes.

The CHAIRMAN. You do not mean that we have never overproduced in this country?

Mr. MARSH. We have never overproduced in our country considering the world's real needs.

The CHAIRMAN. Well, we have produced more than we have consumed.

Mr. MARSH. We have produced more than it would seem we ought to.

The CHAIRMAN. So that there will not be any misunderstanding, I want to draw your attention to that distinction. You are referring to the world condition, now, when you say that there has never been any overproduction.

Mr. MARSH. I thought I said that. I am glad to have you correct me.

Considering the consuming necessities of the world for farm products, we have never overproduced. We have had at least a surplus of some farm products, considering the world's needs to-day. That is a tragic situation we are facing. Therefore, our first step is to relieve the terrible dissatisfaction and suffering among the farmers until they can get something from this year's crop; second, to assure them on at least a few farm staples what I think we are going to call a living price, just as the other great producers of wealth ask for a living wage. The farmers are entitled to a living price and enough over to save up

for old age, just as a man that works in a factory, in our transportation systems or in trade is entitled to a living wage.

Personally, I would think it would be tragic to loan \$100,000,000 to the farmers if it simply meant that they were going further into debt, because we have got to meet their conditions or else we are going to face a very serious situation.

I talked during the past summer with hundreds of farmers—I talked with thousands of them—and I got the information from them, coming from them to me, after I got through talking to them. Now, we ask a revival of the United States Grain Corporation, as provided in Senator Ladd's bill, 2,964, and I call to your attention that on page 3 of that bill, line 21, there is a provision that the grain corporation, the United States Grain Corporation, may sell to foreign manufacturers and consumers at such prices as the grain corporation deems advisable. I am just referring to that for a moment, because of questions raised this morning, and testimony and questions raised by another witness before you indicates that it appears that the foreign market may not be supplied, or that certain farm products may not be provided for under this bill. Now, as I understand this provision, it in very concise form in these two lines seeks to accomplish what was sought to be accomplished by Senator Norris's bill creating the Farm Products Export Corporation, which, in my judgment, should have been passed. Later, I am going to ask your permission to introduce some correspondence from Mr. Hoover, which seems to me to indicate why that bill was defeated. Answering the point that I think Senator Ransdell and Senator Caraway raised as to whether it would be feasible to amend this section so that this grain corporation or something analogous to the Farm Products Export Corporation could finance the purchase and sale of surplus farm products other than those which are covered for purposes of stabilization in the pending Ladd bill, that, of course, would be necessary unless you want to revive the Farm Products Export Corporation bill.

Now, coming back, Senator, to the Ladd bill, we are in such an unusual situation that the test, it seems to me, to be applied to any measure of relief for agriculture is not whether it is a permanent policy, sound as a permanent policy, but whether it is workable and the only workable and necessary measure for immediate relief. Now, I want to go on record as saying—and I have talked with a majority of the members of the Farmers' National Council with reference to this during the past two or three weeks—as a general proposition we do not believe in a price-fixing policy. It is a very difficult situation. I notice Mr. Western Starr, my very good friend, criticized this and said that he was speaking for the Farmer-Labor Party. I know he was not speaking for all of them, because Mr. William H. Johnston, President of the International Association of Machinists, and a high officer of that party, wrote a letter indorsing the plan, which I shall read to you later, with your permission, and whose representative appeared before you this morning indorsing it. But here is the situation. We do not see any other way out for the farmers to-day, and we therefore ask—particularly, I want to address myself to the wheat end of it—and the letters which I am going to read to you from the heads of the international labor unions relate exclusively to stabilizing the price of wheat, the revival of the United States Grain Corporation, because that was the matter which we had under consideration chiefly. I think—and of course, should not assume to speak for them unless authorized to do so—that these labor leaders would be agreeable to stabilizing the price of other staple farm products, such as are included in this bill, because the policy was enunciated to you this morning by Mr. Wallace and by Mr. Fechner identically.

Senator MCNARY. Is it the desire of your organization to have us increase the price of products? Does that mean all the products, the staple products, or just simply—

Mr. MARSH. I think, for two reasons, it should be applied to a limited number; one, and a very practical one, that it is easier to make a success with a few things than if you attempt to cover the whole gamut of farm production; second—and this is more fundamental—that the figures show, as brought out before you by many witnesses, that when you stabilize the price of some of these staple farm products, you tend to stabilize the price of other farm products and to encourage the production of others.

The CHAIRMAN. Suppose we adjourn until 10.30 to-morrow, when Mr. Marsh will conclude, and I understand Mr. Atkeson will be here to-morrow also.

(Whereupon at 12 o'clock, noon, the committee adjourned until 10.30 o'clock a. m. Wednesday, February 8, 1922.)

STABILIZING THE PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

WEDNESDAY, FEBRUARY 8, 1922.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee was called to order at 10.30 o'clock a. m.

Present: Senators Norris (chairman), Page, Capper, Keyes, Gooding, Ladd, Tansdell, Kendrick, and Heflin.

Mr. MARSH. Mr. Chairman and members of the committee, shall I proceed?
The CHAIRMAN. Yes, Mr. Marsh.

STATEMENT OF MR. BENJAMIN C. MARSH, MANAGING DIRECTOR FARMERS' NATIONAL COUNCIL, WASHINGTON, D. C.—Resumed.

Senator PAGE. The Senator from North Dakota has told me that things are in a terribly demoralized condition, and I am ready to believe that without my further testimony from you. What I would like to have you do now is to tell us how we are to remedy the matter.

Mr. MARSH. In answer to the question as to how we shall do anything, I should like to refer some of the members of the committee who are here this morning, and who were unable to be here yesterday, to the fact that we are asking an immediate loan to the agricultural interests through the medium of the Secretary of Agriculture, as provided by Mr. McCumber's bill, to which I referred yesterday, which carries only \$5,000,000. We ask to have \$100,000,000 made immediately available for loans to farmers to buy seed, implements, food, clothing, and to enable them to plant and harvest their crops.

Senator PAGE. That is all right, but I wish you would tell us how we are going to get that money out of the Treasury into the hands of the man who wants to borrow it?

Mr. MARSH. The McCumber bill provides that specifically. Shall I give you a summary of that?

Senator PAGE. Yes; give us a brief summary of it. We meet at 11 o'clock in the Senate this morning.

Mr. MARSH. I will not be able to get through in that time, I am sure.

"That the Secretary of Agriculture is hereby authorized, for the crop of 1922, to make advances or loans to farmers in the crop-failure areas of the United States."

And that assistance is to be extended to apply to any farmer.

"Such advances, loans, or sales shall be made upon such terms and conditions and subject to such regulations as the Secretary of Agriculture shall prescribe, including an agreement by each farmer to use the seed thus obtained by him for the production of grain or flaxseed."

Now, I call your attention to the need for that, because the administration, through Congressman Anderson, has introduced a bill purporting to be a short-time rural credit bill as a substitute for this bill of Senator McCumber's.

Senator PAGE. Upon what security do you expect to get the money?

Mr. MARSH. The Government will have to take chiefly the personal character of the farmers who have found themselves in such a desperate condition, upon the production of the crop by whom depends the welfare of this country—a purely personal credit.

Senator PAGE. We will agree to that, but do you propose to have behind it any security whatever, or purely a personal note?

Mr. MARSH. It would have to be, I think, mainly personal character, or personal note, if possible, along the lines of a 3-name note, if the farmer can get some of his associates to do that: but I am not going into details because we will accept the provisions that the Secretary of Agriculture may prescribe. However, I think it will have to be chiefly based on character, and I do not know any better security than the character of the American farmer.

Senator LADD. Let me interrupt you right there to say that the Secretary of Agriculture has required that mortgages be given on the growing crops—lien on them—for loans that have been made.

Mr. MARSH. Yes.

Senator GOODING. I wonder how the loans made last year worked out.

Senator LADD. I do not know how it worked out last year. The way the loan is made is that if it does not exceed five bushels one year and six bushels another year, I think, they should not be required to pay it; but if they secured a 6-bushel crop, then they should pay, and that is a lien on the crop.

Senator GOODING. Do you mean to say that if they did not get five bushels they did not pay at all?

Senator LADD. Yes; that is the way it was one year. I know I helped them later on that, and I happen to be familiar with that particular year.

Senator PAGE. The idea of loaning money to anybody anywhere without security would strike the American people as being a very broad divergence from anything that I have ever known of before.

Senator LADD. I would not personally approve of that, myself.

Senator PAGE. That was his suggestion.

Senator LADD. Well, I do not think that that is intended. I do not think that was his intention at all.

Senator PAGE. That is what he said, that this money must be loaned on character.

Senator LADD. Largely on three names.

Senator PAGE. Well, he said largely on character.

Mr. MARSH. Well, I think it would have to be character. Suppose the farmer has an absolute crop failure. Then if he mortgages something which he cannot produce he is out of it, as far as the security is concerned, and I do not think he would be able to pay it. I really think it should be subject to conditions which the Secretary of Agriculture may prescribe, according to the principles of this bill, and my reason for asking an appropriation immediately is that this bill, called, "A bill to amend the Federal farm loan act, establishing a farm credit department in each Federal land bank," is not adequate. And here is what it says:

The loan shall be made:

"Subject solely to such restrictions, limitations, and conditions which may be imposed by the Federal Farm Loan Board (1) to discount for any national bank, State bank, trust company, incorporated live-stock loan company, or savings institution, with its indorsement, any notes or other such obligation, the proceeds of which have been advanced or used in the first instance for an agricultural purpose or for the raising, breeding, fattening, or marketing of live stock, and (2) to make loans direct to any cooperative association organized under the laws of any State and composed of persons engaged in producing staple agricultural products" under certain conditions.

Now, I want to point out, first, the banks are to be the beneficiary of this so-called personal credit for farmers, and, second, no farmer under this law as I construe it—and I have talked with several experts on it—could get a loan unless his bank would give it to him, and then the bank would get a rake-off or unless he is a member of a cooperative association, and there are literally millions of farmers who are not such members.

Senator PAGE. You do not expect, then, that you are going to have between the farmer and the Treasury a bank of any kind?

Mr. MARSH. No. It shall be made available to the farmer immediately through the Secretary of Agriculture, under such conditions as he shall stipulate, as provided in the bill introduced by Senator McCumber in the Senate and by Mr. Sinclair in the House, and, furthermore, it shall be had at a reasonable rate of interest. If the Government pays 5 per cent under the Anderson bill for money, there would probably be a spread of 1½ to 2½ per cent, so that the money would cost the farmer in the neighborhood of 7 to 8 per cent.

Senator PAGE. Why should there be any spread under your law?

Mr. MARSH. Under this law?

Senator PAGE. Yes.

Mr. MARSH. Well, I have never known of there failing to be a spread of that sort.

Senator PAGE. Well, who is going to get that rake-off, if it is a loan direct from the Federal Government to the farmer?

Mr. MARSH. You are speaking of the danger of a large rake-off, and where you have to use these banks in such a way as provided for in the Anderson law I am afraid there will be a big spread, just as there was in the War Finance Corporation. They allowed a spread of up to 2 per cent, and then, of course, there were commissions and bonuses and other things, and my information is that in a good many instances the money cost the farmer from 7 to 8 per cent.

Senator RANSDELL. Are you familiar with the system of short-time credits which was prevalent in Europe prior to the war? I do not know whether they work now, but they worked wonderfully well, and they have given the farmer very cheap money prior to the outbreak of the World War, especially in France and Italy and Belgium and in Germany and Holland, and all of those other countries.

Mr. MARSH. I have read several books on it, and I know that the farmers got it at a spread, if my memory is correct, of between one-half of 1 per cent and 1 per cent, at the maximum over the rate which the Government paid.

Senator RANSDELL. It was a very low rate of interest that the farmer paid.

Mr. MARSH. It was in some instances 4½ per cent, and I think the maximum was about 5½ per cent.

Senator RANSDELL. That is my recollection.

Mr. MARSH. And that is my recollection.

Senator RANSDELL. I thought we might learn something from the experience that they had in those countries.

Senator PAGE. Was there any security behind those notes?

Mr. MARSH. There was security in some cases. In other cases they followed the plan I suggest, and I got my idea as to the three-name note from their experience.

Senator PAGE. The three-name note?

Mr. MARSH. The three-name note principle or a two-name note, whatever it might be.

Senator PAGE. Yes.

Mr. MARSH. But the farmer did not have to belong to a definite large co-operative organization in order to get credit.

The CHAIRMAN. I think the organization over there in Europe that was the most successful, however, did not have the unlimited liability of all its members. That is called the Raiffeisen system, and every member of the organization was responsible for everything he had for all of the debts of the organization. That is the kind of a note they had, and it worked successfully. There was no loss on it; they got very cheap money, and their bonds were selling better than Government bonds. That has never been worked in America and, in my judgment, it can not be worked because of that unlimited liability of every member. There is another reason why it works over there, and that is because a man is born, grows old, and dies within a radius of 10 miles there, but in this country that is different, and you could not get an ordinary farmer to go into an organization of that kind, because he would be liable for everybody's debts. So I do not believe that situation can be applied to us here.

Senator RANSDELL. Perhaps not that system, but we might have some modification of it which would make the organization responsible in an unlimited way.

The CHAIRMAN. Oh, yes.

Senator RANSDELL. Just as in our farm land bank system, each bank is responsible for every dollar of indebtedness of all of the others.

The CHAIRMAN. Well, I am not saying that we can not get some very valuable lessons from it.

Senator RANSDELL. I think we should profit by what they have done.

The CHAIRMAN. Yes; I agree with you.

Senator PAGE. Speaking from experience, I live in a little country town of Montclair, and I have been the president of a bank there since along in the eighties. I can say, I think truthfully, that we have never loaned for more than 6 per cent. It is a straight, flat 6 per cent, and we takes the farmers' names almost entirely. A farmer comes along with his neighbor, and in the

last 10 years we have not lost a hundred dollars; but you understand that when a man comes to a bank he has to give us at least one name that is substantial. We do not loan on reputation, although I will say this, that would about as soon have one name as more if a man has reputation and some solidity behind him.

Mr. MARSH. I entirely agree with that principle, and I am sorry if I left the impression that I was asking the Government to go out and scatter广播, but I meant it should be based on the character of the farmer backed up by one or two of his substantial neighbors.

Senator PAGE. But that is not enough.

Mr. MARSH. But that is the only way in which we can get it in sufficient time to prevent the awful suffering among farmers, that you can get the credit to them.

The CHAIRMAN. We have done that before, Mr. Marsh, in several instances. We have loaned money in this same way before, and I do not think that we have lost any money by it. In fact, we have made a little money in the aggregate, have we not?

Mr. MARSH. I do not know of the Government ever having lost any money.

The CHAIRMAN. I think it has lost some loans, but it has charged interest at a very moderate rate, and it has made more than it has lost.

Mr. MARSH. And in view of the fact that the President of the United States suggested a loan of \$500,000,000, absolutely unsecured, to the railroads, it seems to me, in the terrible crisis in which agriculture finds itself, to suggest a loan of \$100,000,000 on the principle of a three-name note, is a very moderate proposal.

I shall be able to get through with these two suggestions as to the revival of the Grain Corporation and the stabilization of the price of farm products together with the other aspects of this bill, with reference to the Farm Products Export Corporation, and, if I may, I will take all the time you can give me this morning to discuss the Farm Products Export Corporation.

The CHAIRMAN. It will be necessary for me to go to the Senate now.

Mr. MARSH. Mr. Chairman, before you leave, I want to make this statement and I want the chairman of the committee to be here when I make this statement. I am going to criticise Mr. Hoover's opposition to the so-called Morrison Farm Products Export Corporation, and I will state frankly that I think he used his office improperly to attempt to kill the soviet government. That, I think, was the basis of his opposition to the Farm Products Export Corporation, and I shall read letters signed by Mr. Hoover in confirmation of my statement. I just wanted to know if there was any objection to my making this statement, and I would ask that Mr. Hoover be requested to come before the committee and explain his attitude.

Senator PAGE. You want to have him apologize for opposing the soviet government?

Mr. MARSH. I did not say recognition of the soviet government. I am not asking recognition of the soviet government, but I am taking the position that Russia would have bought a vast amount of farm products from us, and not as charity, but as a business proposition, and we have got to take action immediately, not only for Russia, but for other countries.

On Monday, February 6, the New York Times had an article on the first page, with the caption: "Skeletons strew steppes in heaps—Hundreds of thousands of Russian famine victims perish in great trek of death—Deep snow now their pall—Millions of peasants still wandering to their inevitable doom by hunger, wolves, or typhus."

I would ask to have this article, which is about one column in length, incorporated in the hearings, Mr. Chairman, if there be no objection.

Senator PAGE. Personally, I do not care to take the attitude here of supporting anything that appears to be in support of the soviet government. I do not think the people of this country, and certainly the Senate, so far as I know, are in favor of that, and I do not care to use any time or money or any space in taking up anything that supports the soviet government.

Mr. MARSH. I am not asking that, but I am making the point that I do not think the opposition of a member of the administration to the soviet government, and his desire to kill it ought to interfere with the creation by Congress of an agency to finance the purchase and sale for export of surplus farm products. I point that out as the issue.

Senator PAGE. I agree with you there.

Mr. MARSH. All right.

Senator PAGE. On the other hand, so far as I am personally concerned, I am prepared to object to your using your position here in support of the soviet government in any way.

Mr. MARSH. I do not intend to do that, I assure you. I am here to try to promote the Government financing of the purchase and sale of surplus farm products.

Senator PAGE. Well, if it is going to condemn Mr. Hoover at the same time, I want to go to the bottom of it. I do not want to take it upon your statement. I want to know all I can about it.

Mr. MARSH. You will remember I said that I hoped the chairman will invite Mr. Hoover here. I also hope that you will invite Mr. Paxton Hibben, secretary of the Near East Relief Committee of New York City. He will come down here on call to meet Mr. Hoover and tell him what the needs of Russia are.

Senator PAGE. At what time do you expect to be able to give us further time to-morrow, if at all?

Mr. MARSH. To-morrow I am to go before the House Committee on Agriculture at 10 o'clock, but I will be available this afternoon. I am at your disposal.

Senator RANSDELL. There is no objection to our going on now, I presume; is there, Senator Page?

Senator PAGE. Not at all. You have a quorum here, anyhow. If I wanted to object, I could not, but I do not want to.

(The newspaper article referred to is here printed in full, as follows:)

[From the New York Times, Monday, Feb. 6, 1922.]

SKELETONS STREW STEPPES IN HEAPS—HUNDREDS OR THOUSANDS OF RUSSIAN FAMINE VICTIMS PERISH IN GREAT TREK OF DEATH—DEEP SNOW NOW THEIR PALL—MILLIONS OF PEASANTS STILL WANDERING TO THEIR INEVITABLE DOOM BY HUNGER, WOLVES, OR TYPHUS.

UFA, VOLGA REGION, RUSSIA, *January 7.*

When the snows melt next spring the Russian steppes will be strewn with skeletons. They will resemble the high prairies of the American cow country in the days when big cattle outfits had insufficient hay to carry their stock through a hard winter.

But among the skeletons of cattle and camels there will be the bones of hundreds of thousands of men, women, and children who fell exhausted in their quest of bread; who lived the simple lives their peasant ancestors lived for centuries and had little conception of the political upheaval which made this famine more terrible than that of 1891.

They wandered, and millions of them are still wandering. There was nothing to eat in their homes, so they started on the trek for bread. Some drifted westward to the Volga and found death in the typhus-ridden railway centers or among the horrors of refugee camps along the Volga; others started for Turkestan; still others moved eastward toward Siberia, the land of gold and wheat, which has always been so alluring to the Russian mujik who heard little of its vastness, its hardships, and its heartlessness.

The peasants knew nothing of modern ways. They were unable to buy tickets on the railways, unable to get permits to ride on trains burdened with the Red Army and food for Moscow and Petrograd. When their animals dropped dead the families walked on, always hoping that food lay over the next knoll.

But the country districts have no grain or, if peasant families have a small supply, they conceal it in the effort to prolong their own lives until another crop is harvested. In the larger towns there is food for sale at fabulous prices, but the starving refugees have neither money nor goods to exchange, and can only sit down to await death or trudge on till they sink of exhaustion.

The bodies which lie along the railroads are collected on cars and hauled to centers, where they are piled in frozen, snow-covered heaps to await burial. Freezing refugees remove all garments from the dead, so the frozen bodies are nude when the scavengers collect them.

Families drift apart and wander aimlessly on to their inevitable fate. Human instincts are lost, and they become little better than beasts. The city and town populations are so hardened to suffering that they are little moved by the misery which lies all about them. Death seems more merciful

in the country for the refugees; they sink into the white covering of the endless plain and wolves strip their bones.

From Perm and Ekaterinburg to the Caspian Sea death is stalking over the steppes. Russians, Cossacks, Kalmucks, Kirghiz, and Tartars alike are meeting their end with the hopelessness and patience begotten of centuries of unequal struggle against political extortion and unfavorable climatic conditions, made worse by ignorance of scientific methods of tilling the soil.

American corn will be too late to save many of these wanderers through the steppes, as well as the families who have elected to make their fight in their villages remote from the railways rather than endure the hardships and death their neighbors have suffered along the main lines of transportation.

Entire village populations have died in the Provinces east of the Volga, and the animals which survive are so weak it is impossible to get adequate horse-power to deliver food to the thousands of snowbound, destitute settlements far from food stations.

(Senator Capper thereupon assumed the chair.)

Senator CAPPER. Go ahead, Mr. Marsh.

Mr. MARSH. All right. The Farmers' National Council, on behalf of which I am appearing at this hearing, very strongly indorsed this Norris farm products export corporation bill, feeling that it was essential to provide a foreign market for our surplus farm products. It was defeated, under conditions to which I may briefly refer, without going into details.

I was asked by some people who are interested in getting relief to Russia whether the Government could not provide for a loan, as well as appropriate funds for the Russians to get their food supply?

I was informed that Mr. Hoover had stated—and this I did not get officially, but I was informed that Mr. Hoover had stated that the railroads could not handle it, and that the \$20,000,000 that Congress had appropriated, plus the Russian gold which he could get, was adequate to meet the situation.

I therefore went to see Mr. Hoover on, I think, January 17 or 18, and I asked him about the situation, and then I wrote him a letter on January 19, asking if he would be good enough to correct my understanding of the talk, because I did not want to quote him unless I had it correct.

On January 23 Mr. Hoover wrote me as follows:

(Mr. Marsh thereupon read into the record the letter from Secretary Hoover to himself, dated January 23, 1922, which letter is as follows:)

DEPARTMENT OF COMMERCE,
OFFICE OF THE SECRETARY,
Washington, January 23, 1922.

Mr. BENJAMIN C. MARSH,
Farmers' National Council, Washington, D. C.

DEAR MR. MARSH: I regret that I can not confirm your statement of our discussion. As your letter is obviously written for the object of publication, you should rewrite it in view of the following corrections. I shall be glad to confirm a new draft correctly setting out the situation.

I did not inform you that we "compelled" or "commandeered" the soviet government to expend \$10,000,000 in gold. What I did state was that with the full authority of our Government we informed the soviet authorities that "it can not be expected that the American people will give charity in this volume while the soviet does not expend every resource."

I did not state that I made the discovery that the Russians had this gold after the congressional appropriation. I knew it before, and informed the committee thereof and our intentions in the matter. I had urged its use long before, and announced my feelings that it should be used to supplement American charity.

In the matter of four or five million dollars more of gold, I explained to you that the Ukraine had about such an amount and had solicited a loan from us for the purchase of grain, and that we had suggested that their gold should be expended instead. I was informed that this exhausted the gold in Russia, except that taken from Rumania. I have been since informed, however, that there is still more available; I confess an inability to ascertain the truth at the moment.

As to the neck of the bottle in the transportation of food to Russia—that is primarily the port capacity and secondarily railways—I explained that we were carrying two programs, one of seed and one of current food supplies; and that as long as the seed program lasts the port facilities will certainly

be jammed. In fact, the soviet authorities in the last 24 hours ask us to reduce the present volume of shipments of current food supplies in order to accommodate the seed program. It is simply impossible to estimate the situation until we have had a try out of actual experience. Certainly it will be two months before we can make any real determination, for it will take that long a time to develop the real capacity. We have two estimates from the soviet authorities within a week as to the size of the bottle neck—one of 2,000 tons a day and one of 7,000 tons a day. If the former should prevail, the present financial provision for Russia would be more than ample to tax their resources until next harvest.

There is only one thing certain, and that is that at least during the period of the seed program there will be much starvation and death due to this inability to provide transportation for current food needs.

Far from suggesting that I assist in securing relief for Russia and to the American farmers, I may call your attention to the fact that the American Relief Administration, of which I am chairman, has been the initial inspiration of the large program of relief to Russia, the other relief agencies in the whole world having produced less than \$2,000,000. The American Relief Administration has available as from January 1 about \$43,000,000. Whether this will fill the ports until next harvest is, as I have said, uncertain. I am certain that not over \$10,000,000 more could be possibly transported to arrive before next harvest. It may prove that the further gold resources of Russia will cover the deficiency. I do not, however, consider it just to the American people that they should be called upon to provide more until it is determined if gold does exist and until we know the port capacity from experience.

As much as I am anxious to secure help to the American farmer, I am convinced that it does not lie much further along these lines. You will see that there are many complexities to the problem.

Yours, faithfully,

HERBERT HOOVER.

Mr. MARSH. Before you came in, Senator Capper, I was asking if you would request to come before your committee Mr. Paxton Hibben, secretary of the Near East Relief Committee of New York City, who will give you detailed figures, a memorandum of which I have before me, as to the port and railroad facilities of Russia. I would rather not read these figures, because I prefer to have Mr. Hibben, who has just come from Russia, give you those facts.

Senator GOODING. You think there is some doubt with regard to the statement Mr. Hoover makes there with regard to the "neck of the bottle"?

Mr. MARSH. I think Mr. Hoover is thoroughly misinformed, and I would like to read into the record—

Senator KENDRICK. If I may interrupt you, how do you account for that discrepancy in the two statements as to what the facilities for moving these products are?

Mr. MARSH. I think my opinion on that would be worthless, and I try never to give an opinion that is worthless. I ask you to invite Mr. Hoover to come and tell you who are his soviet authorities, and, secondly, that you ask Mr. Hibben, who knows the situation, to present these figures as to the conditions there.

Senator RANSDELL. Who is Mr. Hibben? What is his business?

Mr. MARSH. He is the secretary of the Russian Committee for Near East Relief in New York City. He will come down at your request.

Senator CAPPER. Would it not be well to briefly state, at any rate, what his figures do show?

Mr. MARSH. I will do it, then.

Senator CAPPER. So as to make this record complete.

Mr. MARSH. Very well. I will read this entire statement, if I may. It is only two and a half typewritten pages long and is not so very solid.

(The memorandum of Mr. Paxton Hibben, referred to by Mr. Marsh, was thereupon read into the record and is here presented in full, as follows:)

MEMORANDUM OF THE NEED IN RUSSIA.

Figures furnished by those actually operating railways in question:

Novorossiisk, 2,700 tons daily, 3 trains, 50 cars each, 1,000 pounds (36,000 pounds) per car.

Rostoff or Taganrog, 2,000 tons daily.

Nikolaieff, Berdyansk, Mariopol, Feodosia, Kertch, Odessa, 4,300 tons daily.
Batum, 1,000 tons daily,¹ for shipment to Baku and thence via the Caspian Sea to Astrakhan.

Total, 10,000 tons daily through ice-free southern ports.

So soon as the Don is open the Don could be used from its mouth to Kaledinskaya and thence by rail to Tsaritsin. Over this route 8,000 tons could be handled daily.

It is important to consider that a large supply of grain should be ready at Rostoff and Astrakhan for shipment by boat so soon as navigation is opened. This stock can be accumulated now at both points, the latter being reached by shipments into Batum and through Baku and via the Caspian Sea to Astrakhan.

If the ports can handle from the Black Sea 10,000 tons daily now, and in order to employ to a maximum advantage the rivers so soon as they are ice free, a surplus must be accumulated for later river traffic, then more than 10,000 tons of grain must be sent to the Black Sea daily now.

Given \$30,000,000 to spend for grain, with the grain costing approximately \$39.86 per ton to buy and ship, the total that can be purchased and shipped for the sum available would be approximately 750,000 tons. Even at only 10,000 tons per day the entire shipment would be delivered in Russia in 75 days or by the middle of April.

By the middle of April, or even before, both the Don and the Volga will be open for shipping and approximately thrice the amount of tonnage can be handled that is now being handled. But the supplies must be got to the Don port of Rostoff and the Volga port of Astrakhan (via Batum and Baku) before that date if full advantage is to be taken of this fact.

No harvest is to be expected before mid-July and no general distribution of harvests, especially spring grain, before mid-August. From February 1 to July 15 is 165 days, or 90 days more than the period within which the entire American Relief Administration shipments of grain to Russia should have been completed. What, if anything, is to be shipped into Russia during this crucial period and by whom?

It must be recalled that the entire \$30,000,000 fund for the purchase of grain is not for the purchase of food. Ten million dollars contributed by the soviet government is primarily for seed grain. The remaining \$20,000,000 would, therefore, if all spent on the purchase of grain for food, without overhead or other expense save the cost of freight from the United States to Russia at approximately \$12 per ton, purchase only about 500,000 tons of food grain. And this amount would feed only about 7,000,000 people from February 1 to July 15 and 5,831,000 to August 15, at 14 ounces per day per person.

The New York Tribune of January 19 published a report received from the American Relief Administration, 42 Broadway, in which it is said that "the administration is planning to provide daily meals for 2,000,000 by March 1." This figure may be taken as reasonable. A London dispatch to the Universal Service of January 30 credits Mr. Walter L. Brown with stating that the American Relief Administration will be feeding 8,000,000 people in Russia before the end of February. This is a fantastic figure and may be taken as approximately the maximum that the American Relief Administration can hope to feed at any time. Even accepting this figure, however, the need in Russia is by no means satisfied. With all the money at its disposal spent on grain and getting the grain to Russia, the American Relief Administration could feed 8,000,000 people only to about the middle of July, and, of course, all of its funds are not spent on grain and getting the grain to Russia.

Every estimate of those who are starving in Russia gives a higher figure than 8,000,000. The New York Tribune of January 6 says: "American relief workers who originally cautiously placed the number of probable deaths in the famine area this winter at 2,000,000, now say that 5,000,000 is a low estimate, and many say that 10,000,000 or even more may be swallowed up by the famine." The Globe of January 7 says editorially: "The American Government will be largely responsible for saving between 5,000,000 and 10,000,000 Russian children and adults who would otherwise have died before the next harvest." The Morning World of December 10 says editorially: "Latest reports from the American officials state that of the 30,000,000 persons affected by the famine, 15,000,000 are in imminent danger of the worst effects of starva-

¹ Estimated.

ion." The Times of December 26 says editorially: "With 15,000,000 people suffering in the famine areas, even twice 15,000,000 bushels of corn will not go far." President Kalinin is quoted in a Times dispatch from Copenhagen, January 7, as saying: "Twenty-seven million starving in Russia." Col. Haskell, in an Associated Press dispatch from Moscow of January 6, says: "We can not hope to fill their stomachs, but we can keep from 5,000,000 to 10,000,000 from starving." The New York Evening Post says editorially, on December 2: "Some 15,000,000 are starving and 40,000,000 are affected."

Even if the American Relief Administration were able to feed 8,000,000 from March 1 on until its stock were exhausted, about the middle of July, to feed 8,000,000 or 10,000,000, which seems to be a fair estimate of the need, would require 145,000 tons additional grain, costing \$5,800,000 to purchase and get to Russia, in addition to the money appropriated by Congress. Even to feed these 8,000,000 and no others the difference of time between mid-July and mid-August, when harvests may be expected, would require \$5,200,000 more than is now available through the American Relief Administration, while to feed 10,000,000, instead of 8,000,000, the full time to mid-August would require \$12,800,000 more than the funds at the disposal of the American Relief Administration.

How is this vast sum to be raised unless every single agency now seeking to collect money for the starving of Russia is aided and encouraged in every possible way?

PAXTON HIBBEN,

Secretary of the Russian Commission of the Near East Relief.

I can not justify these figures, but you asked me to read them. However, Mr. Hibben can justify them and confirm them.

I would now like to ask the committee, if I may read into the record an article in this morning's New York Times. It is headed "Russians promise trains for grain. Cars and engines are ready at Black Sea ports to rush food to famine area. Rations for 4,000,000 adults allotted, to be raised later to 5,000,000." It is an article by Walter Duranty, copyrighted by the New York Times Co., special cable to the New York Times from Moscow, dated February 6. It is about a half a column long, and I would like it to go in as confirming the fact that there are ample transportation facilities as well as port facilities for the immediate handling of additional food supplies.

Senator KEYES. I do not think there is any objection to that on the part of anybody.

(The article in the New York Times of Wednesday, Feb. 8, referred to by Mr. Marsh, is as follows:)

RUSSIANS PROMISE TRAINS FOR GRAIN—CABS AND ENGINES ARE READY AT BLACK SEA PORT TO RUSH FOOD TO FAMINE AREA—FIRST SHIP IS NOW DUE—RATIONS FOR 4,000,000 ADULTS ALLOTTED, TO BE RAISED LATER TO 5,000,000.

[By Walter Duranty. Copyright, 1922, by the New York Times Co. Special cable to the New York Times.]

Moscow, February 6, 1922.

"Everything leads me to believe the Russian railroad system to be equal to the task of transporting American grain to the famine area," said Col. Haskell to-day.

During the last fortnight Col. Haskell has been engaged in a series of conferences with the soviet authorities and railroad officials. Everywhere he found an earnest desire for full cooperation, and the president of the Moscow Soviet, Kameneff, assured him on Friday that if he found anything lacking he had only to say so and the utmost immediately would be done to meet the requirements. Col. Haskell said:

"There are to-day 22 ships on the seas bearing grain to Russia, and I am advised that 175,000 tons will have been shipped by February 10. Advices of the arrival at Novorossysk of the first vessel to sail the *Winnebago*, is hourly expected. The chief of the American Relief Administration transport service, Col. Haskell, has just returned thence. He reports 700 empty cars waiting in the yards, plenty of locomotives, some new, and ample storage facilities—one grain elevator alone capable of handling 50,000 tons. Six ships can unload there simultaneously.

"If the rail transportation promised comes through we will handle the transfer from the ports without delay, and the 5,000,000 adults fed by American

grain plus the 2,000,000 children we will be feeding by the end of March we make a real dent in the famine.

"I wish it clearly understood that the soviet government has nothing to say where or how we distribute the food, and leaves the control entirely in our hands. We have drawn up the following tentative allocation on the bases of 4,000,000 rations, which later will be raised to 5,000,000: Tartar Republic, 1,040,000 daily; Simbirsk, 360,000; Samara, 720,000; Saratov, 500,000; Tzaritsin, 360,000; Ufa, 520,000; Orenburg, 440,000.

"We also are sending out 100,000 copies of a pamphlet showing the best methods of cooking corn—based on exhaustive tests here—to the American Relief Administration local committees which decide the allocation in the famine area."

Senator KEYES. Right here I would like to ask you, Mr. Marsh, if Mr. Hoover has not available all of this information that may be sent in here by letter from some individual; for instance, like Mr. Hibben? Is it not possible that he has access to all of the information relative to transportation facilities that Mr. Hibben or anybody else can possibly have?

Mr. MARSH. In order that I may maintain a high opinion of Mr. Hoover, I express my hope that he has not, because, if he has, I think he has acted in a very wrong way.

I would like to read the rest of my correspondence with Mr. Hoover, if I may, Senator KEYES. Very well.

Mr. MARSH. Mr. Hoover came here and opposed the Farm Products Export Corporation bill, introduced by Senator Norris, one of the things in my judgment, essential to prevent the calamity which has befallen the American farmer, and the War Finance Corporation has not met the situation. It has done some good, but it has not met the situation.

Senator KEYES. Do you not think Mr. Hoover is trying to meet the situation? Do you not think he is in sympathy with assisting the Russians in this terrible condition which confronts them?

Mr. MARSH. That will have to be my personal opinion. Do you want that?

Senator KEYES. Why, yes. I think you are putting in a good many personal opinions, anyway.

Mr. MARSH. I am trying not to.

Senator KEYES. You have done that in the evidence here.

Mr. MARSH. I am trying to state the facts; but my personal opinion is, as intimated in my letters to Mr. Hoover, that he has been too much tied up with exploiting American financial interests, which secured concessions in Russia, and he wants to smash that soviet system, a system which I do not approve. He wants to smash it at any cost, and I do not propose to have the American farmer made the goat. Now, that is my opinion, which, of course, I am ready to defend at any time before any audience, and in the presence of Mr. Hoover.

Senator KEYES. I guess we understand it now.

Mr. MARSH. May I read my next letter to Mr. Hoover?

Senator KENDRICK. Before you do that, let me ask you this question: In Mr. Hoover's position with this Government, do you not think it quite possible that his information might be more reliable than the information of people not associated with the Government, and not in a position to get the actual facts about the capacity of these ports and the ability of the transportation companies to move the products?

Mr. MARSH. Well, that is possible; but I doubt it; and I might add if Mr. Hoover's opportunities were so great it passes understanding that he did not see what the obvious condition was last July, when it was well known what was going to happen, and when action would have to be taken to prevent what occurred in Russia to-day. His policy does not inspire confidence on my part. A statesman has to look ahead. For instance, here is an editorial in the News of last night:

"Our foreign commerce, without which no great creditor nation can possibly even hope to prosper, is cascading into an abyss from which it must be raised if prosperity is to come again to the Nation."

I will not take time to read the figures given in that article, unless you want me to. I was going to refer to those later as to our exports, but it is summarized in this way:

"Exports fell off \$3,742,893,611 last year from 1920, while imports dropped to the tune of \$2,769,456,087—more than 50 per cent."

I have all those figures from the report of the Department of Commerce here, at I am not going to read them.

The reason I am urging this feature of Senator Ladd's bill is that it has a direct bearing upon the stabilization of the price of staple farm products. We will be told that the Government is going to lose a lot of money if it tries to insure the farmers a reasonable cost of production—and it has to be bulk-line cost of production, of course. Now, that depends somewhat upon whether the government creates an agency through which it can export the surplus farm products, because if it has such an agency then it can go and pile up an enormous surplus in that country, which can be disposed of because we have the agency by which to export it.

Senator KEYES. Do you think that this agency that you are now advocating would do more than the War Finance Corporation, which is the only agency we have now?

Mr. MARSH. My answer to that is to cite the fact that our exports have fallen and fallen and fallen while the War Finance Corporation has been in operation. I do not think that that has met the need at all, or can meet the need, because we are facing a most peculiar situation, with the enormous debts throughout the world. The world spent \$8,000,000,000 last year for armies and navies, and there was no excuse for spending a billion. The Governments of every large nation with which we were associated during the war are shot to pieces. We all know it. We might as well be honest and frank about it. We know that their Governments are going to be overthrown unless they have courage enough to levy a tax upon the value of concentrated property and pay off the war debts. Several Senators of the United States have privately told me that, although they do not publicly admit it.

The Farm Products Export Association can deal directly with the cooperative organizations of consumers in all of these countries, and if you will recall the testimony given before the committee last May, I think it was, by the representatives of several countries of Europe, who represented the cooperative organizations—and some of them were Government agents—they told you that those cooperative agencies were ready to buy directly from the United States if there was such an agency here as the Farm Products Export Corporation, the principle of which I understand Senator Ladd has embodied in his bill in this section authorizing this grain corporation to sell abroad surplus farm products.

Senator KEYES. Mr. Marsh, you were not contemplating doing away with the War Finance Corporation; you would let it remain as it is?

Mr. MARSH. Oh, yes.

Senator KEYES. And have this other as an additional agency; is that your plan?

Mr. MARSH. That is my plan, absolutely. I am glad you raised that point. It is not an effort to abolish any agency which has been of any help, but to recognize the fact that our foreign commerce is continually cascading downward, as this editorial expresses it, showing that we have to have some other agency to handle the situation—an agency, may I add, which has got to operate so as to give to the farm producer the largest price, the fair price, keeping the cost of operation at a minimum, eliminating the exporter's big profiteering, and allowing the selling of farm products at a reasonable profit. It can also take a certain risk and decide at what price to sell these farm products, the rate of interest, and the extent and length of the credit.

Senator KEYES. It would, in a way, furnish a market which does not exist at the present time, by assisting these farmers to meet this situation?

Mr. MARSH. It is the only agency that I think of that could provide that market for the surplus farm products.

Senator RANSDELL. The War Finance Corporation is doing quite effective work amongst the farmers in some sections now by advancing money to bankers at a very low rate of interest, which, in turn, is loaned on long time to the farmers, and, as you say, there would be no attempt to do away with it, but instead to let it go on and do all the good it can do.

Mr. MARSH. But, as I understand it, our first proposition is to give the farmers credit to tide over this situation, by giving them this \$100,000,000 loan on personal credit or cooperative credit; but it would be, I think, an error to load another hundred millions of debt upon the farmers unless they have some assurance that this crop, which they will want to begin to plant in

a few weeks now and to harvest this year, is going to yield them enough so that they can begin to lighten the load of indebtedness under which they are laboring, instead of going still further into debt. They should be given guarantee and some assurance of a reasonable profit.

Senator RANSDELL. Do I understand you that it is your idea to give them that assurance through furnishing them additional markets or a fixed price?

Mr. MARSH. I think we have to have both factors. I think you have to guarantee, through a system of stabilization, the cost of production, that the farmers shall net approximately bulk-line cost of production for a few staple farm products, which, as I stated yesterday, is not sound as a permanent economic policy, but as an emergency measure, and then you have to provide a foreign market for surplus. I want to point out to you that it is to the advantage of the creditor classes to have this frightful deflation of farm prices. It means that for every dollar they loan the Government and private citizens they will practically get back at least \$2, but it means that the farmers and the other workers in factories, mines, in transportation and in trade, who will have to pay this, are going to give two days' work for the price of a bushel of wheat, or the price of two bales of cotton, whereas with the peak prices they could pay with one unit in each case. It is not fair to the American people to permit such deflation of prices until that war debt is paid off. Otherwise the Government will, I trust unwittingly, become the agent of the rich of America, and become, unfortunately, the persecutor of the producers of wealth in America. I say I trust it would be unwittingly.

That is not a novel proposition on my part. It has burned itself into the consciousness of the farmers, as I have learned from them in 21 agricultural States.

May I at this point insert a letter from Mr. Wilbar K. Thomas, executive secretary of the American Friends Service Committee, as to the needs of Russia, in which this statement is made:

"A most conservative estimate from any source is that there are 15,000,000 people vitally affected by the famine. At \$1.50 for a period of 10 months calls for an expenditure of \$225,000,000 in order to meet the situation. Friends feel that \$1 a month will carry an individual through, and this means \$150,000,000. The funds at Mr. Hoover's disposal are probably \$35,000,000. All the other organizations will probably get together \$20,000,000 or \$25,000,000."

(The letter from Mr. Wilbar K. Thomas, dated January 23, 1922, is as follows:)

AMERICAN FRIENDS SERVICE COMMITTEE,
29 South Twelfth Street, Philadelphia, Pa., January 23, 1922.

Miss HELEN TOOKE.

Care Russian famine fund, 15 Park Row, New York City, N. Y.

DEAR MISS TOOKE: The Friends have been working in Russia since 1917, with the exception of about nine months in 1920, when it was impossible for us to get supplies in to the workers. The last group, therefore, went back in 1920. The money for our supplies has been contributed by the general public, with the exception of approximately \$100,000 which Mr. Hoover gave us about a year ago, fully six months before he began his negotiations with the soviet government.

The American Friends Service Committee decided to cooperate with the American Relief Administration in every way that will work for greater efficiency. This is necessary in order to avoid duplication and overlapping of the work.

The Riga agreement enables the Friends to work as a separate unit jointly with the American Relief Administration and carry on its own work in its own way.

The most conservative estimate from any source is that there are 15,000,000 people vitally affected by the famine. At \$1.50 a month for a period of 10 months calls for an expenditure of \$225,000,000 in order to meet the situation. Friends feel that \$1 a month will carry an individual through, and this means \$150,000,000. The funds at Mr. Hoover's disposal are probably \$35,000,000. All the other organizations will probably get together \$20,000,000 or \$25,000,000.

Trusting this answers your question, I am

Yours, sincerely,

WILBAR K. THOMAS,
Executive Secretary.

If course, I am not asking for relief for Russia alone; but the cooperative consumers' organizations in all of the European countries, if I am correctly informed, would like very much to be able to buy directly and at a reasonable price, through a government agency here. The governments of these countries are pooling their purchases of farm products, wheat, etc. We ought to sell in the same way, and I am not making an appeal, as I seem to have been misunderstood, for the recognition of the soviet government. That is not involved. In point of fact, there is no better method of getting the Russian people back to a sane scheme of improving conditions than to end this terrible starvation. You will recall that we are responsible for financing aggressive wars against Russia, because we did not make France and England pay any interest on the loans we made them. Instead of paying that interest, we let them finance these marauding expeditions against Russia, which we brought Russia into its present condition. Now, let me read this letter that I sent to Mr. Hoover on January 24.

(Mr. Marsh thereupon read into the record his letter to Mr. Hoover, dated Jan. 24, as follows:)

FARMERS' NATIONAL COUNCIL,
BLISS BUILDING,
Washington, D. C., January 24, 1922.

Mr. HERBERT C. HOOVER,

Secretary of Commerce, Washington, D. C.

My DEAR MR. HOOVER: I very much appreciate your courtesy in correcting my understanding of my conversation with you. I want to insist most emphatically, however, that it is contrary to common sense and common justice for our country, or any official thereof, to take the position that the Russian Government, whether we like it or not, should not be given any loan until they have exhausted all their gold. The Russian Government may not like our country because the President of the United States condones, if he does not sanction, the buying of seats in the United States Senate; but we would certainly say that they would be stupid, at least, to refuse to buy our surplus farm products because President Harding foregathered with Senator Newberry, or to say others of the same stripe. Of course, the statement which you have made in your letter merely shows that it was criminal for anyone to oppose the Farm Products Export Corporation bill introduced by Senator Norris, which would have permitted a Government loan to Russia and thereby have prestalled the terrific strain upon Russia's transportation and port facilities and helped divert the deathly famine which has overtaken her. You say, There is only one thing certain, and that is that at least during the period of the seed program, there will be much starvation and death due to this inability to provide transportation for current needs."

The starvation and death which will happen in Russia is only in a secondary sense due to inability to provide for transportation for current food needs. It is primarily due to the fact that certain exploiters in our own country opposed the Russian method of attacking the ownership of government by predatory interests and, in my judgment, in a very foolish way attempted to stop it. In view of the situation which you depict, however, I am taking the liberty of transmitting copy of your letter to Members of the United States Senate with the hope and expectation that they will immediately see what can be done to relieve the situation in Russia, and simultaneously afford some relief to our farmers in America, who have been made the victims of wicked deflation because they were not organized or were betrayed by some of their leaders. If you were logical in your position about not making a Government appropriation or loan to Russia until she had used up all her gold, how could you justify loans to European nations with which we were associated during the war while the Governments thereof permitted profiteering to go on as it went on naked and unashamed in our country?

Again thanking you for your frankness in this matter, which is at least very different from the attitude of some Government officials, I am,

Yours, sincerely,

BENJAMIN C. MARSH,
Managing Director.

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Then, Mr. Hoover replies, under date of January 25, as follows:
(Mr. Marsh thereupon read into the record Mr. Hoover's letter, dated January 25, as follows:)

DEPARTMENT OF COMMERCE,
OFFICE OF THE SECRETARY,
Washington, January 25, 1922.

Mr. BENJAMIN MARSH,

Farmers' National Council, Bliss Building, Washington, D. C.

MY DEAR MR. MARSH: Your offensive criticism of the President of the United States is not only beside the point but does not merit a reply to your communication.

It is necessary, however, that I should clear up one point, and that is your assumption that any United States Government official has had any negotiations with the soviet government in any form. This is not true, and you are perfectly well aware of it. My relation to this matter is as chairman of a charitable organization which has no official status, and such negotiations as have taken place with soviet authorities from time to time have been on behalf of that organization and not by myself as a Government official.

I note the warm support you give to the bolshevik government and the criticism you make of American charity and the generosity of Congress. The bolshevik government at any time during the past year could have purchased foodstuffs with the \$10,000,000,000 which they have now assigned to this purpose, and could themselves have prevented the loss of life which you now lay at the door of the American people.

Yours, faithfully,

HERBERT HOOVER.

On January 27 I replied to Mr. Hoover, as follows:
(Mr. Marsh thereupon read into the record his letter of January 27 to Mr. Hoover, as follows:)

FARMERS' NATIONAL COUNCIL,
BLISS BUILDING,
Washington, D. C., January 27, 1922.

Hon. HERBERT HOOVER,

Secretary of Commerce, Washington, D. C.

MY DEAR MR. HOOVER: I have your letter of January 25, and am sorry you feel it is offensive to criticize a President who condones the purchase of seats in the United States Senate. However, I was using this as an illustration, but apparently it was too apt.

Also, let me state that I have not given any warm support, as you charge, to the bolshevik government, and though you have made clear your purpose to crush that government, the real point at issue is whether or not the desire of certain Government officials who have been connected in a more or less direct way with enterprises in Russia which have been extremely profitable to certain predatory American interests shall be permitted to determine the policy of the American people toward the starving people of Russia.

Your own letter, which is going to be very valuable for reference, makes perfectly clear that whatever position you have taken as chairman of a charitable organization which has no official status has not been left aside by you as Secretary of Commerce.

I am quite sure that the bolshevik government could, during the past year, have purchased food supplies with the \$10,000,000 which they have now assigned to this purpose, but you make it clear that you have used your position as Secretary of Commerce to force certain action by a foreign Government, a Government with the methods of which I have absolutely no sympathy.

I am hoping that we shall shortly get reliable information as to what can be done to prevent starvation in Russia, for it is self-evident that relief given to the starving Russian people by the Americans will help them see the futility of the soviet system of government, as administered by Messrs Lenin and Trotsky.

I would, however, like to comment that Great Britain, France, and Italy could pay at least the interest, if not part of the principal, of the loans which we made to them if they would dare tax their war profiteers. Instead of that, the profiteers of those countries, as in our own, are seeking profitable foreign investments through exploiting backward peoples, and apparently there is a close bond of union among them.

I want to stress the point, moreover, that the farmers of this country have been deprived of an adequate market for their products at home because of the

riminal deflation brought about by governmental agencies and the unemployment and underpayment which our Government could have prevented if it wanted to, so that unfortunately our Government stands convicted of the same cruelty to American farmers and workers as the bolshevik government.

As I recently stated to a committee of the House, we must be careful not to produce in this country the conditions, or even near the conditions, existing in Russia if we want the people to retain respect for our Government.

Thanking you again for the information, as well as for your kind criticism, am,

Yours, sincerely,

BENJAMIN C. MARSH,
Managing Director.

I did not get a reply to that.

Senator GOODING. Let me see that communication, please, will you?

Mr. MARSH. With pleasure, sir [handing letter to Senator Gooding].

Now, as to the Farm Products Export Corporation, there is absolutely no question; and here in Mr. Hoover's own paper, the Washington Herald, of yesterday, February 5—

Senator KEYES (interposing). Now, you speak of that as being Mr. Hoover's own paper. Do you happen to know whether he is interested in that paper financially or not?

Mr. MARSH. He is supposed to be. I have no legal evidence of it, but I think he is. If it is not true, I will retract it. I would want to have evidence that his interest therein has entirely evanesced. It is just the same as Mr. Wallace telling me that he had no interest in his paper, Wallace's Farmer, after he became Secretary of Agriculture. We are practical men, every last one of us, and what is the use of blinking things. Mr. Wallace's son is running it. Here is Mr. Hoover's statement, however, as given in big headlines: "Hoover urges United States guarantee railroad loans. Proposes Government underwrite equipment trust. Plan would help jobless, he says."

Then the article says:

"We talk glibly of giving billions of credits to foreign countries to increase our farm exports. I wish to say, with all responsibility for the statement, that billion dollars spent upon American railways will give more employment to our people, more advance to our industries, more assistance to our farmers, than twice that sum expended outside the frontiers of the United States—and there will be greater security for the investor."

There, directly, Mr. Hoover shows, if I understand him correctly—and this is his own statement—that he is opposed to these loans to farmers, as he was to a loan last summer for the exporting of surplus farm products; but I submit to you gentlemen from agricultural States, a billion dollar loan to the railroads, with the present high freight rates, is not going to help agriculture, and I do not see how Mr. Hoover figures it. I simply suggest that a loan for the reasonable exports of farm products, under all necessary safeguards, would be an immediate benefit and of far greater value to the farmers.

Now, if I may take up some of the other aspects of this bill, as to the stabilization of the price of farm products, may I repeat that the Farmers' National Council, in favoring this bill, favored the principles of it. We believe the United States Grain Corporation should be revived, and I shall address myself to the idea that it should be under the control of representatives of organized farmers and organized labor as well as the women's organizations, because they know the situation intimately of the producers and consumers. They do not want to see Mr. Barnes—and I am not impugning Mr. Barnes's integrity, but I am saying that his close affiliation with certain interests precluded the successful administration on his part of the United States Grain Corporation, during its life, such as the farmers of America wanted. I think that is a fair statement. The same principle obtains to-day.

One of the objections which are raised to the stabilization of the price of wheat, or of any other staple farm product, is that it will produce speculation in farm lands and increase the selling price of farm lands beyond a reasonable figure. I realize that we have to settle the farm-land question, but I also realize that the farmers are in such a condition now that, so far as general economic laws are concerned, they have to have relief, and I am mentioning this from the standpoint of some labor leaders, also, because, in addition to the representatives of the American Federation of Labor and of the machinists, who appeared before you yesterday, I have letters from over half a dozen other

big international labor organizations favoring the stabilization of the price of wheat and the revival of the United States Grain Corporation.

As far as this danger of the inflation of the price of farm land is concerned I want to say that it is my impression—I have not definite figures—that deflation in the price of farm products has resulted in reduction in the selling price of farm lands of anywhere from 20 to 35 per cent of the value. I have figures to confirm it. As a possible protection, it may be provided that no more than \$5, or some such sum, should be allowed in the cost of production of the bare ground rent. That would certainly meet that objection.

The second point: I understand that the introducer of this bill, Senator Ladd, and other members of the committee have planned to get figures as to the profits of the elevators, the millers, and the bankers, because, as some of the letters that I am going to read from labor leaders show, organized labor would not care, as was stated to you yesterday, if they had to pay a little more for bread, provided the farmer, who produced the wheat, got that increased price. What they are objecting to is this intermediate speculation.

I assume that you are going to have before you the representatives of the Federal Trade Commission, as to the profits of the elevators, of the millers, and of the bankers.

I have seen some figures as to bakers' profits, from the Bakers' Association and as to their cost of production. They seemed to me to be so extravagant and so indefinite that I took the liberty to send them to the Federal Trade Commission and asked the latter to check them up. I assume that the members of this committee will ask the representatives of the Federal Trade Commission to appear before you and give you all the information they have as to the profits of elevators, millers, and bakers.

You will recall that the Senate adopted a resolution, introduced by Senator Norris, asking the Federal Trade Commission to bring up to date their figures as to the profits of the wheat-flour millers. In the report of the Federal Trade Commission, dated September 15, 1920, which covers profits only during the year 1918, the commission reports that for 37 of the very largest wheat-flour milling companies in the United States the profit on the investment in 1916-1917 was 38.4 per cent, and the profit for 1917 to 1918 was 34.1 per cent, which is certainly an extravagant profit. I do not want to take the time to give you the figures.

Senator KEYES. Is that the net profit, Mr. Marsh?

Mr. MARSH. Per cent of profit; yes. I do not want to take the time to give you the figures as to how they concealed their profits, which the Federal Trade Commission explained, and how they increased their capitalization by millions of dollars, but I just make this statement:

On page 9 of this report it will be found:

"This remarkable development of the business of the 37 companies resulted in an increase in their investment from \$43,460,780 at the beginning of the five years to \$69,528,605 at its end. These concerns not only made this increase of 60 per cent in their investment, but also paid out \$36,716,403 in dividends and Federal taxes and for outside investments."

That shows something of the enormous profits which the millers are making.

Now, we are told that to get the cost of production of wheat and other farm products is utterly impossible. Well, you can not get it absolutely, but you can get it approximately for the bulk-line cost of production.

Senator GOODING. Well, is it impossible to get it?

Senator LADD. I think that question was answered by a Senator on either Monday or Friday, when he said that they were absolutely unreliable; impossible to be had.

Senator GOODING. That is not saying it is impossible to get them, though. They may be unreliable, but they can be gotten.

Mr. MARSH. That is all I mean, to get accurate figures.

I would suggest that you ask Dr. Atkeson whether you can get those figures and whether they will be worth anything. You will certainly get some information. If you will ask the millers, and the elevator owners, and the bakers, they will tell you that it is thoroughly impossible for the farmer to get any where near the cost of production, and I know you can not get it absolutely. I know there is a big range of cost. In asking for the stabilization of prices of staple farm products, I would not think of asking you that you take the highest figures, but you have to take something like the bulk-line cost, for instance, the cost at which from 80 to 85 per cent of the crop is produced.

I have a letter here from Mr. M. R. Cooper, Assistant Farm Economist, United States Department of Agriculture, dated January 19, in which he says: "In response to your request of yesterday, I am sending you a preliminary report on the cost of producing winter wheat for the crop year 1920. In addition to this report we have passed upon 30 records on the cost of producing wheat in Sherman County, Oreg. These data are also for the crop year 1920, and the average cost per bushel was \$1.54."

I think that was probably pretty low for 1920. As you know, they have a stem so that when you know the basic costs they do not have to make all of these field investigations as to any of these staple products each year. There are certain factors of correction in the department, so that they can bring all of these data up to date right here through their clerical forces, and it does not involve an enormous expenditure to make a field inquiry.

Senator KENDRICK. By taking into account the average reduction in wages, or instance?

Mr. MARSH. Yes; and changes in the cost of different factors entering into the cost of production.

There is a big range here in the prices of the products of 216 owned farms in Clay County, Nebr., the net cost per bushel including interest being \$2.57; in Garfield County, Okla., \$1.66; and in Thomas County, Kans., \$1.26. Of course, one can fix the approximate cost of production, and when the farmer has been taking a loss of a dollar a bushel for every bushel of wheat he sold, if you happen to give him a few cents a bushel too much, you are not going to get a word of howl out of any organized labor. I have talked at many labor meetings, and they are all willing to see the farmer get his cost of production and a reasonable profit. Therefore, while I admit that it is going to be difficult, it is certainly not going to be an impossible task to get this cost of production approximately.

Similarly, as to the other staples which are covered in Senator Ladd's bill, you can not get them exactly. The four staples mentioned are wheat, cotton, wool, and corn.

Now, I want to repeat that I understand Senator Ladd introduced this bill as a basis of discussion. As far as we are concerned, I think it is questionable whether it is wisest to specify specific prices; I mean for several years in advance. Evidently, a price of \$1.50 per bushel for wheat, No. 1 northern spring, Chicago, is not going to be a very high price.

Senator LADD. If you will allow me to explain for a moment, the reason for putting that in is that because, for this year, it will be impossible to have the machinery in shape to determine the price. Therefore they put the price in for this year, but provide that in future years a commission shall, in August of this year, in proportion to the surplus and the possible growth of wheat in this country, establish the basic price for the following year and each year after that, so long as we continued.

Mr. MARSH. But I wanted to point out that the situation can be met, and those figures could be adjusted year by year through this commission. It provides for a very fair commission to ascertain the cost of production.

See the situation with which we are faced. We have guaranteed the cost of production, practically, to the railroads, plus a very big profit. We were opposed to this principle, and some farmers have said to me, "How can we consistently ask the Government to guarantee us the approximate cost of production when we object to the guaranteed-dividend feature of the Cummins-Esch law?"

Senator KEYES. Mr. Marsh, I just want to take exception to your continually using the expression that the Government has made a guaranty to the railroads.

Mr. MARSH. It was for six months. It is not technically in force now.

Senator KEYES. No. All right.

Mr. MARSH. Under the transportation act, of course, there was an implied assurance that they were to have rates which would yield 5½ to 6 per cent upon the capital investment.

Senator KENDRICK. I think that is a mistake.

Senator KEYES. There was no guaranty.

Senator KENDRICK. It amounted to the same thing, because in a ruling of the Interstate Commerce Commission they stated—and it is in congressional records and every other place—that the commission had no discretion except to allow the railroads to charge such rates as would guarantee them the difference between 5½ and 6 per cent; they must allow them to charge such rates as to make 5½ per cent.

Now, that is not the language, but you will find that that is exactly the substance of the interpretation of the Interstate Commerce Commission. amounts to a guaranty. Maybe it was not intended that it should be, but is just what happened.

Mr. MARSH. The effect is the same.

Senator KENDRICK. Yes.

Mr. MARSH. There is one difference, which is a legal difference, as I understand it, and that is in the first six months the Government paid the debt out of the Public Treasury. Well, we are not sure whether the railroads going to get another bonus from the public or not.

Senator LADD. As to the stabilizing of the price of wheat, for instance, farmers in my country claim that the Government will have to reimburse the farmer for any loss, which I feel is not true at all, but the farmers come to me with this statement: "Have we not subsidized every manufacturer, by having a large tariff? The only difference is that the Government has authorized every manufacturer to collect his tariff direct from the people as a subsidy without any protection to agriculture, and now we are asking you to stabilize the price of wheat, and should there be any loss the Government will have to make it up, but we do not feel that there will be any loss."

Mr. MARSH. Our discussion was along the same lines, Senator, and then came this further point, that in the case of the railroads there is a relatively small number of people who are involved, while in the case of the farm products there is not only the farmer. I think one of the most significant things that has been done is the fact that these representatives of organized labor appeared before you yesterday, and they told you—not I, representing the National Farmers' Council—but they told you that they realized that the prosperity of the farmer was basic and essential to the prosperity of labor, and now, in stabilizing the price of these staple farm products you are recognizing the identity and fundamental interest of all producers of wealth. You are going to help not only the farmer, but every member of organized labor and unorganized labor in America. May I read just a few letters at this point from some of these leaders?

Senator RANSDELL. Just a minute, please. I have an engagement now. I am very much interested in this testimony and I am sorry I have to leave. How long will it take you to conclude your testimony?

Mr. MARSH. I think I will not take the time to read all of these letters. I will just summarize them, and in that way I expect to be through in about five minutes.

Senator RANSDELL. I am sorry I can not stay.

Mr. MARSH. I am trying to be brief. The committee has been very patient. Here is a letter from Mr. W. S. Carter, president of the Brotherhood of Locomotive Firemen and Enginemen, under date of January 27.

(Mr. Marsh thereupon read the letter of Mr. Carter, under date of January 27, 1922, as follows:)

BROTHERHOOD OF LOCOMOTIVE FIREMEN AND ENGINEMEN,
Cleveland, Ohio, January 27, 1922.

Mr. BENJAMIN C. MARSH,

Managing Director Farmers' National Council, Washington, D. C.

DEAR SIR: This will acknowledge receipt of copy of your letter addressed to Messrs. Stone, Sheppard, Lee, and me, under date of January 3, which is in reply to our letters addressed to you in answer to your letter of December 12, wherein you called attention to a plan with a view of reviving the United States Grain corporation, asking for Government guaranty of \$2.50 per bushel of wheat and control of the elevators, etc.

I have deferred writing you with the hope of discussing this matter at a conference between the chief executives of the transportation organizations, but fear that it will be impossible to hold a conference for some time. Therefore I am writing you without conferring with the other executives.

I fully appreciate that the farmers have been hit mighty hard because of the great reduction in farm products during the past several months. I feel that the farmers should be protected precisely the same as other interests and should receive a fair price for their products, particularly when there is no profiteering going on at the expense of the consumer.

I hope that some good will come from the conference now going on in Washington involving farm interests.

Yours, truly,

W. S. CARTER, President

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Mr. MARSH. This is a letter from Mr. G. M. Bugnizet, of the International Brotherhood of Electrical Workers.

(Mr. Marsh thereupon read the letter from Mr. Bugnizet, international vice president of the International Brotherhood of Electrical Workers, dated February 4, 1922, as follows:)

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS,
Washington, D. C., February 4, 1922.

r. BENJAMIN C. MARSH,
Managing Director Farmers' National Council, Washington, D. C.

DEAR SIR: In answer to your inquiry as to whether the International Brotherhood of Electrical Workers would cooperate with the farmers in working for the revival of the United States Grain Corporation, with a guaranteed minimum price for wheat to cover bulk line of production, and with control of wheat products through a lease to the bankers, desire to say in the absence of International President Noonan that our organization is only too pleased to cooperate and indorse the principles of your proposal.

We believe the farmers should be given proper compensation for their efforts and as well be fully protected from profiteers, and we feel sure that the revival of the United States Grain Corporation with a guaranteed minimum to the farmer, properly administered, will make for a fair compensation to the farmer for his product and not increase the cost of wheat products to the public, and at the present time there is a very large profit on the farmers' product after it leaves him and reaches the public.

Again assuring you of our cooperation in the hope that the wheat growers will get justice as well as secure the largest practical degree of stabilization, am,

Yours, sincerely,

G. M. BUGNIAZET, *International Vice President.*

Mr. MARSH. Here is a letter from Mr. Johnston, international president of the International Association of Machinists, who was ill yesterday and could not appear. He has an engagement to-day, but this is his letter on the subject.

(Mr. Marsh thereupon read the letter of Mr. William S. Johnston, international president of the International Association of Machinists, dated January 1922, as follows:)

INTERNATIONAL ASSOCIATION OF MACHINISTS,
Washington, D. C., January 7, 1922.

r. BENJAMIN C. MARSH,
Managing Director Farmers' National Council, Washington, D. C.

DEAR MR. MARSH: In compliance with your request that the International Association of Machinists cooperate with the farmers in working for the revival of the United States Grain Corporation, with a guaranteed minimum price for wheat to cover bulk line of production, and with control of wheat products through at least to the bankers, I assure you that we are glad to indorse the principles of this proposal.

I can not, of course, indorse any definite price, but realize thoroughly the desperate financial straits of the wheat growers and most other farmers in the United States, due to the unprecedented reduction in the prices which they receive for their products. Farmers must have cost of production, at least, they are to continue to produce. There must be, of course, also control of the profiteering interests and agencies which intervene between the wheat grower and the consumer of wheat flour, and this is provided for in your plan, also the elimination of unnecessary middlemen and of all speculators in bread and wheat products.

I do not see why there should be any increase above the present prices for bread under the plan which the farmers are seeking in the revival of the United States Grain Corporation, and we will be glad to cooperate with you in getting justice for the wheat growers, as well as in securing the largest practical degree of stabilization of staple farm products, for organized labor is entirely sympathetic with the farmers in their efforts to secure cost of production.

Yours, sincerely,

Wm. H. JOHNSON, *International President.*

Mr. MARSH. I do not think I had better take the time to read all of these letters. I will just have them put into the record, unless you want me to take the time to read them. There are five or six of them.

Senator KEYES. They are all along the same line, are they?

Mr. MARSH. They are all along the same line; yes, sir. I would like to give you the names of the writers, if I may.

I would also like to read a statement made by the National Nonpartisan League, by Mr. Oliver S. Morris, of the National Leader, the official organ of that league. May I take the time to read this? It is a letter addressed to Congressman Sinclair, who has introduced an identical bill with Mr. Ladd, or shall I just put it into the record?

Senator KENDRICK. Yes; you had better read that.

Mr. MARSH. Yes, sir; I will just give the names of the writers of the letters, and not read them.

This letter addressed to Congressman Sinclair, a carbon copy of which was sent to me by Oliver S. Morris, the editor of the National Leader.

(Mr. Marsh thereupon read into the record the copy of the letter signed Oliver S. Morris, editor National Leader, addressed to Hon. J. H. Sinclair, dated January 20, 1922, as follows:)

JANUARY 20, 1922

Hon. J. H. SINCLAIR,

Member of Congress, Washington, D. C.

DEAR SIR: We are obliged to you for notifying us that a committee of Congress will hold a hearing on January 30 on the matter of stabilization of prices, a subject in which our paper, its 200,000 subscribers, and the farmers of the Northwest generally are vitally interested at this time. While we may be unable to send a representative to present our views to the committee, trust you will file with the committee for consideration this statement of our position.

As you know, we have been advocating for some time in every issue of our paper action by Congress to bring relief to grain growers in this territory, who are in desperate straits. Specifically, we and the farmers of the Northwest have been urging the revival of the Government grain corporation to furnish machinery necessary to control the situation. My desk is piled high with letters from hundreds of farming communities reporting that petitions have been circulated and sent to Members of Congress, meetings held and resolutions passed, and personal letters sent to Members of Congress, all urging that the grain corporation be revived. Every mail brings dozens of these reports of active work being done by the farmers to center attention on the necessity of reestablishing the grain corporation.

It is unnecessary, I believe, to go into any detail regarding the present agricultural crisis. Both you and the committee are familiar with the conditions existing. Sufficient to say that our farmers have probably never faced with a graver peril, due to the collapse of prices, business depression, consequent foreclosure and bankruptcy, and to the certain prospect of the continuation of these conditions through this and perhaps next year, unless something is done speedily. Neither is it necessary, I take it, to discuss the importance of agriculture, our biggest single industry. The rural population is nearly half the total population of the country, and practically every other suit and industry is directly or indirectly dependent upon it and prospers or wanes as it prospers or wanes.

I shall therefore confine my remarks to stating our idea of what should be done. We believe that relief can be assured and be adequate only through the revival of the grain corporation and its pooling at least of the entire wheat crop this year, on the plan which has been successfully operated by the State of New South Wales, Australia, and which was operated by the Government of the Dominion of Canada in 1919. Wheat is the key grain crop, the price of other grains rising or falling with wheat, but if considered necessary, other grains can be included in this Government pool.

Why a Government pool? The important thing as we see it is to give agriculture relief without putting an additional burden on consumers of agricultural products and without involving the Government in subsidies to the farmers. If all the wheat, or all the grain if considered advisable to include all grain, can be pooled by the Government through the Grain Corporation and sold by the corporation direct to mills and other domestic consumers, and direct to foreign importers, you at once eliminate a vast middlemen's machinery, its unnecessary charges, commissions, and profits. For the Grain Corporation would pool, handle, and sell the grain at cost of the service. This saving, we believe, would enable the Grain Corporation to pay a substantially lower

ice to grain producers without putting any burden whatever on the consumer or any other business or industry, except that for the time being it would eliminate the boards of trade, the hordes of brokers, commission men, and other unnecessary handlers. For the Grain Corporation would deal direct with the producer or his cooperative organizations on the one hand and the mills and foreign importers on the other.

But it is easy to see that this would not be the only saving accomplished by its plan. You eliminate speculation, which during the last year has had a disastrous effect on grain prices. The Grain Corporation, handling all our grain for export, will be in a stronger position to deal with foreign buyers and can get a much better deal for the farmers than the large number of competing exporters who now offer our grain abroad and have no interest in maintaining a cost-level price. Furthermore, it may be, and undoubtedly is, feasible to ship abroad a large part if not all of our export crop in the Government's own ships now lying idle, thus saving unreasonable freight charges and rofiteering tolls, as are being saved now in the Russian relief shipments. Coupled with this would be the ability of the Grain Corporation to systematize the transportation of grain from where it is produced to the parts of our country where it is consumed or used, by pooling freight cars of the various roads and shipping by the trainload where possible. There is an opportunity for big savings there.

So that we are of the opinion that the pooling of the crop by the revived Grain Corporation would enable the producers to receive on the average a saving price for grain this year and next year without increasing prices to consumers or involving the Government in subsidies to growers.

Proper machinery should be created in connection with the revival of the grain corporation to ascertain what is a fair price for the grain corporation to announce it will pay for the grain. This price should be fixed by experts, taking into consideration the present price and the savings that the Government pool can reasonably be expected to make by elimination of middlemen and unnecessary charges, profits, and tolls now levied on the crops, and taking into consideration the farmers' cost of production.

When this price is fixed and promulgated, the grain corporation should pay producers, or the cooperative organizations through which they deal, 90 percent of the fixed price on delivery of the grain, and give each producer a receipt or certificate entitling him to a dividend per bushel in the event that the corporation is able to make sufficient savings in the unified handling of the crop or in obtaining higher prices abroad to warrant such dividend. Dividends, if any, to be paid at the end of the crop year, when the corporation knows how it will come out on the crop. The Government pool in Canada on the 1919 crop, we believe, resulted in dividends to farmers of about 50 cents a bushel, in addition to the fixed price paid producers at the outset.

This is only the briefest possible outline of the plan. To make it safe and more effective, with better protection for the consumer, the grain corporation should, as in the war, regulate millers' and bakers' profits on a reasonable basis; and, of course, it is important that domestic freight rates be brought down, compelling the railroads to share with the grain corporation and the farmers the savings that will result from pooling of cars and unified handling of the crop over the railroads.

As to financing the grain corporation under this plan, we believe it could be adequately taken care of through cooperation with the Federal Reserve Board without an appropriation by Congress. Money could be borrowed by the Corporation in any sums it desired if the loan was guaranteed by the Government, but Congress, we think, should provide safeguards to prevent profiteering in interest rates on any loans made.

Yours, very truly,

— — — — —, *Editor National Leader.*

Mr. MARSH. I want to conclude by saying that I know that the Secretary of Agriculture is opposed to this whole principle. I regret it. But what has he to offer as a substitute? If Mr. Wallace would go out, as I have, and talk to the tens of thousands of farmers, and have them talk to him, could see the conditions, and could receive the pathetic letters that I have, one of which is a long letter from Washington State, describing conditions in Iowa, Washington, and some of those other Western States, he would think that it was the

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Unless and until the farmer and the industrial worker join hands and open this combination of capital, neither can hope for any amelioration of present conditions. The farmer and the industrial worker have it within their power to curb these financial pirates if they will only awaken and combine their forces.

The farmer ought to receive a minimum of \$2.50 for his wheat and the worker ought to purchase his bread for 5 cents per loaf. There is nothing unreasonable in either of these standards, and when we decide to eliminate the "intermediary" then we will realize this condition.

On behalf of the Order of Railroad Telegraphers, I desire to indorse the farmers' program for \$2.50 for wheat, and our organization will lend the assistance possible to bring about a consummation of this program.

Yours, most sincerely,

E. J. MANION, President

AMALGAMATED CLOTHING WORKERS OF AMERICA,
New York, December 31, 1922.

Mr. BENJAMIN C. MARSH,
Farmers' National Council, Washington, D. C.

DEAR MR. MARSH: I am in full agreement with you for the need of controlling the price of grain. Unless more attention is given to the farming and industrial part of our population, we can not expect any improvement in the depression that is over the country to-day. With a large portion of labor out of work, a drive going on to reduce wages below the minimum level necessary for the American standard of living, and with our farming population on the verge of bankruptcy, the country is drifting very rapidly into a state of chaos.

Every person that has the interest of the country at heart surely sees that the so-called "natural laws of competition" are ruining the country. You therefore count on me to extend any help I can toward relieving our farming population, which is so closely connected with the welfare of the whole country.

With the season's greetings, I am,

Sincerely yours,

SIDNEY HILLMAN, General President

JANUARY 5, 1923

Whether the revival of the United States Grain Corporation, as outlined by the Farmers' National Council, is the best plan to stabilize farm products and protect the wheat grower and consumer against the parasitic middlemen, I do not know, but I do know that something along this line must be done if disaster is to be avoided.

The economic interests of both farmer and city worker are identical. Each supplies a market for the other's product. Discrimination against either is bound to affect the other. Both are essential to man's existence, and yet the people who produce everything of use value are the poorest of our citizens. Between them there has come another class that neither spin nor weave, a useless, idle, parasitical horde of pests. Like barnacles, they interfere with the smooth operation of the industrial ship and as useless middlemen suck the lifeblood out of the ends of production.

Yes; I heartily indorse any move that aims to rid society of not only the profiteer and parasite, but all forms of injustice to the wealth producing people of America.

Sincerely yours,

JAMES H. MAURER,
President Pennsylvania Federation of Labor

UNITED BROTHERHOOD OF MAINTENANCE OF WAY
EMPLOYEES AND RAILWAY SHOP LABORERS.
Detroit, Mich., February 9, 1923.

Mr. BENJAMIN C. MARSH,
Managing Director Farmers' National Council, Washington, D. C.

DEAR MR. MARSH: I have noted, with considerable interest, the activities of the Farmers' National Council and their efforts to have the National House of Congress pass resolutions, having for its purpose the reviving of the United States Grain Corporation in order that the farmers of our country may

ive the necessary financial assistance to market their last year's crops and grow a crop the coming year.

The Farmers' National Council should indeed be complimented for its efforts connection with such a worthy cause. My opinion has always been that the farmers, the agricultural workers of this country, have always received a little consideration at the hands of capital and the efforts on the part of such capital that is available always have been to squeeze the farmer at the opportune moment in order that he may be forced to sell his holdings of grain and other farm products when the market is at its lowest ebb instead of permitting him to hold it until the sale would be more advantageous.

In view of the vast number of people farming or doing farm work, the government must take some cognizance of this condition and protect this class of producers in order that they may not be forced into bankruptcy and possibly forsake the farm for some other occupation and as a result cause the land to remain idle.

I sincerely trust the Farmers' National Council will be enabled to continue their efforts along this line, and you can assure the farmers of my sincerest wish for the success of your plans in their behalf.

Yours, very sincerely,

[SEAL.]

E. F. GRABLE, *Grand President.*

[Telegram.]

CHICAGO, ILL., February 8, 1922.

MR. BENJAMIN C. MARSH, *Washington, D. C.:*

Your letter to all executives of railway unions under date of December 10 relating to the revival of the United States Grain Corporation for a period of from three to five years, requesting a Government guaranty for certain prices on wheat: In behalf of our organization I heartily indorse this proposition.

D. W. HELT,
President Railway Signalmen.

SENATE AND HOUSE COMMITTEES ON AGRICULTURE.

GENTLEMEN: I fully realize that the farmers are the producing class who feed us all, and that perhaps no class of American citizens have been deflated in proportion to them. It is a well-known fact that the farmers are in great distress at the present time, and that some means must be found of protecting their interests and enabling them to receive a fair price for their products if this country is to exist as a Nation.

No country can hope to succeed when its common people go hungry, and no country can expect its producers, the growers of the crops that feed the Nation, to continue working at prices that are worse than bankruptcy.

I believe the Nation owes to these tillers of the soil a guarantee of a minimum price for their products that would enable them to receive a fair return both on their investment and on their labor, and anything that can be done along this line, I am sure will meet the hearty and unanimous support of organized labor.

W. S. STONE,
Grand Chief, Brotherhood of Locomotive Engineers.

UNITED MINE WORKERS OF AMERICA,
Indianapolis, Ind., February 8, 1922.

MR. BENJAMIN C. MARSH,
Director, Farmers' National Council, Washington, D. C.

DEAR MR. MARSH: Answering your favor of the 3d, I advise that I am fully in harmony with the program recently adopted by the progressive farmers' conference. I am entirely in accord with their efforts to secure fair prices and also to secure legislation authorizing a Government loan of \$100,000,000. I feel that it will go a long way toward bringing stability into our present very disturbed domestic situation.

Very truly yours,

JOHN L. LEWIS, *President.*

I believe we have to have this emergency measure. I hate to forecast what will happen if something does not relieve this situation.

I thank you, gentlemen, very much for your patience. I think we ought to have Mr. Hoover here to discuss these questions, and I sincerely hope you will invite Mr. Paxton Hibben, whose address I will give to the introducer of the bill; that is, his address in New York.

As I understand it, the introducer of this bill had in mind a program to improve the export situation, and it can be amended, if necessary, so that the Grain Corporation can finance the purchase and sale of farm products.

Senator LADD. Certainly; with slight amendments.

Mr. MARSH. With slight amendments.

Senator LADD. Yes.

Mr. MARSH. You have had before you the leaders representing five and a quarter million members of organized labor, the American Federation of Labor, together with other leaders of organized labor as represented by the letters that I have read to you, who are willing, if necessary, as I have told you, to pay a couple of dollars or more a year extra, not to the profiteers but to the farmers, to get back to normal—not normalcy.

Senator KENDRICK. Before you go, Mr. Marsh, I want to ask you at what rates are our farm products moving to Russia, such as the grains that are going for the relief of starving people in Russia?

Mr. MARSH. I do not know. I have my letter as to my understanding of the which Mr. Hoover said was incorrect, and therefore I did not read it into the record. I would rather not, because I would rather he would answer that all these folks who are handling it directly.

Senator KENDRICK. Are we shipping a larger proportion of wheat than corn?

Mr. MARSH. I can not tell you those facts at all, Senator Kendrick. I have not had a chance to go into the details of that.

Senator LADD. At this point I would like to have inserted in the record a letter from a leading banker of North Dakota, who endorses the bill, but thinks the rates are not sufficiently high; that is, for stabilized prices. I would like to have that inserted, together with a letter from a farmer in Minnesota, showing the terrific need of the farmers securing financial support, and the high rates they have to pay at the present time. I would ask that those two be inserted as the writers have requested that they be brought before the committee.

(The letters submitted by Senator Ladd are here printed in full as follows)

THE FIRST NATIONAL BANK,
Bottineau, N. Dak., January 31, 1922.

Hon. E. F. LADD,

United States Senate Office Building,

Washington, D. C.

DEAR SIR: Referring to Senate bill 2964, my impression is that the minimum price of wheat established therein for 1922 is too low. I am not prepared to say what the price should be and doubt not that you have given the matter a good deal of study and are prepared to give a far more intelligent analysis of the situation than I; nevertheless, after deducting freight and allowing for the spread in grades that means that the principal money crop in this vicinity, durum, will have to be sold at about \$1 per bushel.

The present local market for No. 1 dark northern is \$1.16; No. 1 northern, \$1.14; No. 1 amber durum, 88 cents; and durum, 81 cents. The cash close in Minneapolis is No. 1 dark northern, \$1.43-\$1.49; No. 1 northern, \$1.34-\$1.36; No. 1 amber durum, \$1.06-\$1.11; No. 1 durum, \$1.01-\$1.06.

Very truly yours,

J. W. CATHIC.

Hon. Senator LADD:

DEAR SIR: I inclose you copy of a chattel mortgage which became due November 1, 1921, which drew 8 per cent interest. Being unable to pay my tenant, and I am now compelled to pay 10 per cent interest on \$1,400 to get it extended one year to November 1, 1922. The 9 head horses and colts and 3 head of milch cows and 8 calves are the best that can be found, first-class and highly graded stock, and in addition this mortgage covers all the machinery, increase of stock, and crop to be raised on 320 acres of land. There are 3 banks in our county, and all are in the combination charging the same rates of interest on chattels. Farm loans which were made at 6 per cent net five years

igo now almost impossible to renew without paying 7½ and 8 per cent, and money asking a cash commission above that.

I am sending you this evidence so you can bring it before the conference or Congress, for there is no solution for the owner of the land or the tenant farmer unless some legal means can be made to stop these usurious rates of interest. If the emergency exists to make the Allies legal rate of interest 4½ to 5 per cent, the legal rate should be the same to the farmer on land loans and 6 per cent the legal rate on chattels. The farmer and laboring men furnished their sons for the Army. Folks at home ate black, yellow, and brown bread, made from mixed grain, to furnish their wheat for the allied armies, on which the Government fixed the price he should sell for, doing this to make the world free for democracy. With all these sacrifices, he now finds himself helpless to meet his obligations. The elevators, when he has to sell his grain, are all in a combination, paying the same price list which is changed daily up or down as the Duluth or Minneapolis Chamber of Commerce dictates.

The bankers are all in a trust and all charge the same rates of interest. There is something radically wrong, for in the organization of the Federal reserve banks the only ones who get the money are the member banks. In our county, 14,800 population, the banner county of the Red River Valley for agriculture, we had 10 banks six years ago. Now we have 20, and our taxes and interest have kept increasing ever since the Federal banks came into existence. If it could be possible to organize a Government loan bank in every State to make real estate loans exclusively on long time at 5 per cent interest, the common people would build homes, the boys and girls would stay on the farms and add to their holdings of land. If the war conference ends wars, money should be the cheapest thing on earth, and our beautiful farm lands the safest investment for capital at 5 per cent interest in the United States.

Very respectfully,

GARRET L. THORPE

Know all men by these presents, that this mortgage, made the _____ day of _____ in the year one thousand nine hundred and _____ by Richard Klatt and G. L. Thorpe, of McDonaldsville, County of Norman, State of Minnesota, mortgagor, to First State Bank of Ada, Ada, Minnesota, a corporation duly organized and existing under the laws of the State of Minnesota.

Witnesseth, that the said mortgagor being justly indebted to said mortgagee in the sum of fourteen hundred and no/100 dollars, which is hereby confessed and acknowledged, have for the purpose of securing the payment of said debt, granted, bargained, sold and mortgaged, and by these presents do grant, bargain, sell, and mortgage unto the said mortgagee, and assigns, all that certain personal property described as follows, to-wit: All crops of every name, nature, and description, consisting of all acres of wheat, all acres of oats, all acres of barley, all acres of corn, potatoes, hay,, and sweet clover, winter rye which have been or may be hereafter sown, grown, planted, cultivated, or harvested during the year A. D. 1922 and until said debt is fully paid, on the following described real estate, situate, lying, and being in said county of Norman, and State of Minnesota, to-wit: Southeast quarter (SE¼) and northwest quarter (NW¼) section eight (8), township 14, range 46.

And in case the said crops are not properly sown, planted, cultivated, harvested, threshed, or cared for, the said mortgagee has the right to enter on said land,,and do all that is necessary to properly put in, harvest, thresh, and market such crops, and reimburse for all labor and expense out of the proceeds thereof, the portion remaining to be applied on the debt hereby secured. Also, the following described personal property, to-wit: One black mare, 3 years old, weighs 1,250, named Nancy; 1 bay gelding, 2 years old, weighs 1,200, name Charles; 1 bay gelding, 5 years old, weighs 1,400, name Dan; 1 bay mare, 7 years old, weighs 1,300, name Nellie; 1 bay horse, 10 years old, weighs 1,300, name Dick; 1 white mare, 11 years old, weighs 1,400, name Queen; 1 roan mare, 9 years old, weighs 1,200, name Doll; 1 bay mare, 10 years old, weighs 1,300, name Maude; one buckskin mare, 15 years old, weighs 1,200, name Lady; 1 Guernsey heifer, 3 years old; 1 brindle Jersey cow, 4 years old; 1 red and white cow, 5 years old; 1 Hereford cow, 6 years old; 1 Holstein cow, 8 years old; 1 roan Durham heifer, 3 years old; 1 brindle Jersey cow, 4 years old; 1 red cow, white face, 5 years old; 1 red Pol cow, 6 years old; 1 black Pol Angus cow, 5 years old; 1 brown cow, 6 years old; 1 Holstein cow, 6 years old; 1 red and white cow, 6 years old; 1 red and white heifer, 3 years old; 1 red and white cow, 6 years old; 1 red and white heifer, 3 years

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old; 1 red and white cow, 5 years old; 1 red and white calf, 10 mo.; 2 Holstein cows, about 5 years old; 2 Jersey cows, 6 years old; 10 red cows, 4, and 6 years old; 2 black cows, 4 years old; 1 black calf, 9 months old; Holstein calf, 9 months old; 6 red calves, 9 months old; 1 8-foot Minnesota binder; 1 54-foot Deering mower; 1 12-foot Acme hay rake; 1 20-disc V-Brunt drill; 1 10-disc harrow; 1 2-horse corn cultivator; 1 5-row potato sprayer; 1 John Deere gang plow; 1 John Deere sulky plow; 1 26-foot Boen harrow; 1 3-horse Boss harrow; 1 iron ground roller; 1 International manure spreader; 1 DeLaval cream separator; 1 Iowa cream separator; 1 iron-wheel low truck with hay rake; 1 truck wagon with hay rack; 1 wide-tire wagon gear with grain tank; 4 sets work harnesses; 100 chickens; 9 Duroc Jersey spring pigs; 60 chickens; 600 bushels speltz; 600 bushels oats; 25 bushels rye; 150 bushels barley; 400 bushels corn; 228 bushels potatoes; 1 7-foot bobsleigh, all the said property being now in the possession of said mortgagor in the town of McDonaldsville, in the county of Norman, and State aforesaid, and free from all encumbrance whatsoever.

To have and to hold, all and singular, the personal property aforesaid forever as security for the payment of the note and obligation hereinafter described, provided always and these presents are upon this express condition. That if the said mortgagor shall pay or cause to be paid unto the said mortgagee, their executors, administrators, or assigns, the sum of fourteen hundred and no/100 dollars, according to the conditions of one certain promissory note, payable to First State Bank of Ada, at the office of said bank.

\$1,400, November 3, 1921. Due November 1, 1922, with interest at 10 cent per annum until paid or any other note of said mortgagor given hereafter to the mortgagee herein, as a renewal thereof. Then these presents to be void and of no effect. But if default shall be made in the payment of said sum or sums of money, or the interest thereon, at the time the said note or notes shall become due, or if any attempt shall be made by the said mortgagor or any other person to dispose of or injure said property, or to remove said property, or a part thereof, from the said county of _____, or if said mortgagor does not take proper care of said property, or if said mortgagee shall at any time deem _____ insecure, then, thereupon and thereafter it shall be lawful, for the said mortgagor hereby authorizes said mortgagee, _____, executors, administrators, or assigns, or _____, authorized agent, to take said property wherever the same may be found, and hold or sell and dispose of the same, and all equity of redemption, at public auction, with notice as provided by law, and on such terms as said mortgagee or _____ agent may see fit, and said mortgagee may become the purchaser of said property at said sale, retaining such amount as shall pay the aforesaid note or notes and interest thereon, and an attorney's fee of ten dollars, and such other expenses as may have been incurred, returning the surplus money, if any there may be, to the said mortgagor or _____ assigns, and the said mortgagor hereby waives demand and personal notice of the time and place of sale. And as long as the conditions of this mortgage are fulfilled the said mortgagor to remain in peaceful possession of said property, and in consideration thereof he agrees to keep said property in as good condition as it now is at _____ own cost and expense.

In testimony whereof the said mortgagor have hereunto set their hands and seal this 3d day of November, A. D. 1921.

RICHARD KLATT. [SEAL]
GARRETT L. THORPE. [SEAL]

Signed, sealed, and delivered in presence of—

Leo. H. SCHERF.
O. C. OGARD.

STATE OF MINNESOTA,

County of Norman, ss:

On this 3d day of November, A. D. 1921, before me, a notary public with and for said county, personally appeared Richard Klatt and G. L. Thorpe, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free and deed.

[SEAL.]

O. C. OGARD,
Notary Public, Norman County, Minn.

My commission expires September 16, 1925.

Senator KEYES. Are we to understand that that is all this morning?
Mr. MARSH. Dr. Atkeson was here this morning representing the National
range.

Senator KEYES. Do you understand that he would like to appear before us
to-morrow morning?

Mr. MARSH. I will ascertain and telephone the Chairman. Shall I?

Senator KEYES. I understood Senator Norris to say that he was prepared to
be on at half-past 10 to-morrow morning, if there are any witnesses to be
heard at that time.

Senator LADD. Yes; I understood so.

Mr. MARSH. I will also communicate with Senator Norris and find out if he
wants to have Mr. Hibben down here. We will have to wire him at once, if
he is wanted.

Senator LADD. Mr. Lyman stated yesterday that he would come before the
committee, but he has not been here this morning.

Mr. MARSH. I thought he was not going to appear. He changed his mind, but
I hope he will.

Senator LADD. I do not know that he changed his mind. He was here
yesterday.

Mr. MARCH. I understand that the American Farm Bureau Federation
planned to introduce their own bill on this subject. As I understand it we
are all talking about the principles, and not as to this bill as a final draft.

I want to express my appreciation, on behalf of the Farmers' National
Council, of the fact that Senator Ladd has introduced this bill, and is making
a fight for it.

Senator KEYES. We will adjourn here until to-morrow morning at 10.30
o'clock.

(Whereupon, at 12.25 o'clock p. m. the committee adjourned until to-morrow,
Thursday, February 9, 1922, at 10.30 o'clock a. m.)



STABILIZING THE PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

THURSDAY, FEBRUARY 9, 1922.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee reconvened at 10.30 o'clock a. m. pursuant to adjournment.
Present: Senators Norris (chairman), Page, McNary, Keyes, Ladd, and
Tansdell.

STATEMENT OF MR. THOMAS C. ATKESON, REPRESENTING THE NATIONAL GRANGE, WASHINGTON, D. C.

Mr. ATKESON. Mr. Chairman and gentlemen of the committee, I represent in his city the National Grange, which is the oldest of the farmer organizations. It is around 55 years old. I sometimes think if we have not learned something in those 55 years we ought to be chloroformed and done away with. The organization is sometimes classed as conservative as compared with some other farm organizations. It is different in its character from any other farm organization. It is more in the nature of a fraternity, and is not what is ordinarily accepted as a loosely constructed farmer organization.

Senator PAGE. Before you proceed, Mr. Atkeson, may I ask you, Is your organization in substantial accord upon the leading features which you are going to discuss?

Mr. ATKESON. You mean that is now before the committee?

Senator McNARY. Yes; what is known as Senator Ladd's bill, 2964.

Mr. ATKESON. Yes; I think we are.

Senator PAGE. I do not refer to the Ladd bill. I asked generally, Are you able to act in harmony, or very nearly so, in regard to all the leading features of the grange?

Mr. ATKESON. Do you mean personally?

Senator PAGE. No. I am talking about the grange. Are your principles and plans pretty well defined so that you can say that when you speak here you speak for the whole grange?

Mr. ATKESON. Of course, there is some difference of opinion among our individual members, but I speak for the majority expression as manifested by the National Grange. I represent the National Grange, but not all the individual members. It would be unreasonable to expect out of 800,000 members that each individual would be in harmony with every other individual.

Senator PAGE. But speaking as a majority, you do represent them?

Mr. ATKESON. I represent the organization as a national organization.

As to the matter pending before this committee, since I have only about 20 minutes I want to hurry along. I want to say that I come before the committee with a good many doubts as to whether I should make a statement or not. Yet I feel like it would be a species of moral cowardice not to do it.

I think we all agree that the prevailing conditions of agriculture in the country are unfortunate, if not calamitous, and that those conditions are the result of the inevitable consequences of the great World War, which disorganized and temporarily overthrew all the established laws of economics. So I hesitate to appear before the committee where the position of my organization and my own best judgment is largely in conflict with the expressions, at least, of other farm organizations and farm representatives who are trying to do something to cure the present rather calamitous agricultural condition of the country, and incidentally the calamity falls on all other interests of the

country ultimately. Agriculture can not suffer long in this country economically without other people suffering more or less.

As to the general proposition of price fixing—and I am going to confine what I have to say at this time to that proposition—I am somewhat familiar with the historical background of the effort to fix prices, and we find records in China and elsewhere, going back 4,000 years, and practically every nation and every civilization 4,000 years back has made more or less effort to overthrow the economic law of supply and demand by some system of price fixing, and it has universally failed. If 4,000 years of human experience has established the fact that arbitrary or artificial price fixing can not survive for any length of time, then it seems to me we ought at least to hesitate before we attempt to overthrow the well-established laws of economics.

Now, this is not a new question with our organization. It has been before us in one form or another for 50 years, and we have dealt with it in one way or another for 50 years, including the unfortunate period following the Civil War and through every epoch of high prices and low prices since, like the so-called crime of 1873, followed by the demonetization of silver, when we had very similar conditions to what we have now. We had similar conditions about 1883, and all of us are familiar with the conditions from 1893 to 1897, and during all of those periods of depression of farm prices, back to the Civil War, our organization has been confronted in one way and another with the consideration of the question of price fixing, and it is on record repeatedly in various phraseology and always has been forced to the conclusion that any effort toward price fixing disorganizes the well-established laws of economics, and in the long run, while it may amount to something temporarily, the reaction of the remedy is worse than the disease itself.

And so at the last session—and I think practically in the same words of the session before—the National Grange said this: "In war times price fixing may have been necessary"—expressing doubt even about that—"but in peace time the grange regards price fixing as unjustifiable and indefensible."

Of course whatever my personal views might be—they happen to be in accordance with this—I would maintain the position taken by our organization. At our meeting at Boston a year ago last November, when these resolutions were adopted we had in the city at least 12,000 people in attendance. They were not all voting members. That resolution was passed absolutely by unanimous vote, that price fixing in time of peace is unjustifiable and indefensible. And that is after 50 years of wrestling with that problem.

THE CHAIRMAN. Mr. Atkeson, to get your viewpoint, I want to ask you whether a law—let us confine it to wheat—providing for the purchase by the Government of the surplus wheat, you would regard as price fixing?

MR. ATKESON. Unquestionably, because you would have to fix the price at which the Government would buy it.

THE CHAIRMAN. Suppose the law or the board, or whatever instrumentalities were used, said that the Government would buy the wheat that was offered at \$1.50 a bushel?

MR. ATKESON. The ex-Secretary of Agriculture says \$1.75. I have here discussion of the amount of the price.

THE CHAIRMAN. The ex-Secretary?

MR. ATKESON. Ex-Secretary Meredith.

THE CHAIRMAN. Does he favor it?

MR. ATKESON. He says \$1.75.

THE CHAIRMAN. But I wanted to get your idea as to whether that proposition and an arbitrary statute that said the price of wheat or any other commodity should be fixed at a certain price would be any different if the law under which the so-called price fixing took place provided for the purchase by the Government of all product offered at a price that was never more and possibly sometimes less than the actual cost of production. If that were in the law now, considering that one year with another, over a period of, say, 25 or 30 years, taking it for several years like that, there had been no surplus, that while there would be a surplus some years, there would be a shortage other years, would you be able to differentiate that kind of proposition from what is ordinarily known as a price fixing?

MR. ATKESON. You might in the abstract develop a difference. If some one were prophet enough to do what Joseph did in Pharaoh's time when he interpreted a dream, that we were to have seven years of plenty and seven years of famine, then the Government or somebody ought to store up the surplus for the period of famine. It happens in this country that so far as agriculture

roducts are concerned, since the beginning of the country we have never failed to produce a surplus. We may fail in one locality or in another, yet with our transportation facilities in the North, South, East, and West, our great diversity of climate, of altitude and of soil characteristics, we have never had famine conditions in this country.

But, to more specifically answer your question, whenever we undertake to fix the price, even to the extent of the taxpayers paying for the surplus, they just sell that surplus in the world's market for what they can get.

The CHAIRMAN. Yes, or hold it over—one or the other.

Mr. ATKESON. Well, let us see what will happen. Suppose we fix the price of wheat at \$1.75, as suggested by Mr. Meredith, and that the Government will take, at the end of the season, the surplus wheat at \$1.75. That means that the American laborer, the American cost of factory production, and all other costs will start out predicated on \$1.75 wheat, and at the end of the year the Government will buy what is left at \$1.75, and send it over to Liverpool, perhaps, or to Germany, and sell it for a dollar. The cheap labor and the cheap factory products come in competition—

The CHAIRMAN. Now, does Mr. Meredith want to do that?

Mr. ATKESON. How is that?

The CHAIRMAN. It would not necessarily follow, Mr. Atkeson, as I understand it. I am not arguing this with you except to get the light on the subject that we want. It would not follow that the Government would have to ship it over there and sell it. The Government could hold it. Next year there may be a short crop in the world, and the price would go up to \$2.50 a bushel.

Mr. ATKESON. Yes; but it does not happen that way. It is governed by the world's price.

The CHAIRMAN. Yes; but if confined to wheat, now—or you could use almost my other thing—the world over there has not been a surplus of wheat. There is a surplus one year and a shortage the next year.

Mr. ATKESON. That may be true.

The CHAIRMAN. Well, that is true, is it not, as a matter of history?

Mr. ATKESON. I say it may be true, and maybe it is true this year, but you will find the market for the surplus at the world's price.

The CHAIRMAN. Sure. You must sell it on the world's market, or you must store it up until the next crop comes along.

Mr. ATKESON. Now, let me tell you what will happen.

The CHAIRMAN. That is what I want to know.

Mr. ATKESON. If we pay \$1.75 for wheat—that is supposed to be a fixed price on that one commodity—if we fix the price on wheat at \$1.75, and keep that up for a sufficient number of years, we will have this country buried in wheat.

The CHAIRMAN. I think my own idea would be if we fixed it arbitrarily to run for years at \$1.75, that would be absolutely true; but those who advocate the proposition, as I understand it, do not advocate that that shall be a stationary thing. If there should be a large production one year, they will put it down to \$1.40 the next year.

Mr. ATKESON. And the next year the cost of production may be more than it was the year before.

The CHAIRMAN. There will not be so much wheat the next year if they put the price down, will there?

Mr. ATKESON. Well, there will be more of something else, possibly.

The CHAIRMAN. Yes.

Mr. ATKESON. And what will happen? In two ways the surplus will be enormously increased of any product on which you fix the price a year in advance.

The CHAIRMAN. Well, that depends on the price, you see, Dr. Atkeson.

Mr. ATKESON. Let me conclude my statement. At least the surplus will be enormously increased of the product on which the price is fixed. In the first place, if the price is fixed high enough to guarantee a large profit, there will be a tremendous increase in that commodity and a reduced consumption because of the increased price.

The CHAIRMAN. I can see that very clearly if the price is high.

Mr. ATKESON. Now, then, having put the price high, there will be an increased production of that commodity which you have stored up, and with an enormously increasing surplus. Even in one year's time you could double the wheat production in this country if you fixed the price high enough.

The CHAIRMAN. Oh, everybody would go to raising wheat if you would fix it high enough. There is not any doubt about that. But to be fair now—and I want to be and I am trying to be, although I may not be—with those who advocate the theory, or at least those with whom I have come in contact, they never advocate fixing the price at anything above the cost of production. Some may contemplate a small profit, but most of them that I have come in contact with say that they ought to fix the price a little below the cost of production so as to afford a sort of insurance policy and at the same time not result too much of a production. It is conceded if we fix the price high everybody will go to raising that product.

Mr. ATKESON. The effort to fix the price at the cost of production has many fundamentally economic errors in it that I even hesitate to discuss at all.

The CHAIRMAN. It is not a difficult thing to know and agree to in principle. It is a difficult thing to carry out.

Mr. ATKESON. Even in principle it is wrong. The assumption that a man entitled to cost of production plus a profit is so radically, fundamentally wrong that I do not know how to begin to discuss it. No man in the world is entitled to the cost of production plus a profit for what he chooses to produce, without some one needs it or wants it bad enough to pay the cost. I hesitate to talk about that before this committee, but that is the truth of the matter.

A few years ago I was out in Kansas City at the time of the Belgian hare craze. A fellow out there got the craze so badly he actually had cleaned out his store, had taken the goods off the shelves, and in their place made runs of the hares by covering the shelves with poultry wire; spent a large amount of money; and I don't know what it was costing him to produce them, but I woke up one morning and found that hares were worth about 25 cents apiece, and nobody wanted them at 25 cents apiece, and that was the end of the hare business with him. Was that man entitled to cost of production plus a profit?

Senator McNARY. Is not that the incentive that causes us to put forth our best efforts, to get cost of production plus a profit, to raise our families and educate our children, and furnish them with the necessities and some of the comforts of life?

Mr. ATKESON. We had enough of the cost-plus profit during the war.

(A recess was here taken.)

Senator McNARY. Had you concluded on the point that you were discussing before we took a recess?

Mr. ATKESON. The reason a man is not entitled to cost plus a profit for everything he may choose to produce is because the needs of other people must not justify their paying the cost price plus a profit. The buyer as well as the seller must be considered.

Senator KENDRICK. Doctor, may I ask you one question there?

Mr. ATKESON. Certainly.

Senator KENDRICK. Do you conclude, because the Government decided to pay a fixed price for such amount of grain as it would like to have produced as a surplus, say the excess over and above what the country would consume, you conclude from that that would in itself fix the price on grain?

Mr. ATKESON. Certainly it would, as far as I can see.

Senator KENDRICK. Even allowing that that would fix the price for one year, don't you believe that it could be made something of a flexible thing by the very suggestion of Senator Norris to the effect that the Government, having the surplus on hand from one year, would reduce both the price and the quantity that would be included in its next budget of purchases?

Mr. ATKESON. Whenever you undertake to fix the price by legislation or any artificial means you disorganize the fundamental laws of economics, and if you fix the price too low you get less than you expected, and if you fix it too high you get more than you expected, and it so happens that there are two parties to every price. I don't care whether it is a voluntary price agreement upon between the two parties or whether some artificially constructed board or commission undertakes to fix the price, or whether you attempt to fix it by statute, there are just two parties to every price, no more and no less, and they are the party who sells and the party who buys.

The most serious objection that I make as a farmer—and I have never done anything except farm in my life, except that I tried to teach in an agricultural college—but I am a farmer to-day, and I spend the summers on my farm. The commercial food production of the country is produced by less than 1 per cent of the population—I think that is a perfectly safe proposition—al-

per cent of the people are interested in buying their food supply as low as possible, regardless of its cost, and 25 per cent of the population are interested in getting as high a price for it as possible, regardless of cost. I speak now as a farmer. I have never sold anything for less than I had to in my life and never will.

Senator KENDRICK. If I may interrupt you there again, Doctor, would there not be a difference in the plan to take the surplus at a fixed price, or in the result of that sort of a plan and the one put into effect by the Government during the war, in which they sought to fix the maximum? Now, if this law will just say, "We will take this much if it is offered," by that they might might not influence the price. There might not be a bushel offered to the government. And then there is another merit there, I think, if you will look such a proposition. First, taking one year in advance, and by that very fact does not commit anybody to anything except the Government itself.

Mr. ATKESON. If the Government says it will take all of the surplus at, say, 1.75 a bushel for wheat, says that now for next year's crop, you will enormously increase the surplus the next year, and the price will be \$1.75 or more for every bushel produced; not only for the surplus, but for every bushel produced the price will be \$1.75 or more. If it is more, because of a shortage of crop, or for any other reason, the Government would get no surplus. If he world's price, the normal price of wheat, is less than \$1.75, the Government will get it all, because everybody would hold their wheat for the Government price, even if the Government does not take it, say, until the 1st of October, or some definite time, at the end of the wheat season, of next year's crop.

The Government fixes the price on the surplus. It fixes that as an absolute minimum price for all the wheat that is produced that year. If they fix the price of the surplus nobody will take less than the surplus price. The man who would ordinarily sell from the thrashing machine will hold it for 8 or 10 or 12 months to get the Government price of the surplus. It would cost him something. He would be out the interest on his money and the cost of storage and all those things. It might take from the price of the surplus the cost of carrying until the time when the surplus would be taken by the Government. So that fixing the price for the surplus or the price at which the Government will take the surplus absolutely fixes the price for that entire crop.

Senator KENDRICK. Right there I would like to interrupt for a question. Do you think that fixed price would prevail by any chance throughout all other sections of the world—other supplying nations? Where the price would go above the Government price it would not affect the price then?

Mr. ATKESON. It would not affect the higher price.

Senator KENDRICK. No. This is the point I want to make clear: My idea is that now we get the cost of production for the next year, and, say, this winter or in the fall—it is getting nearer the spring—we have committed ourselves to take, not necessarily what we assume to be the surplus, but if there was ordinarily a surplus of 200,000,000 or 300,000,000 bushels, suppose we say we will take 200,000,000 bushels at what we think the cost of production will be for the next year. Now, I can not believe that the Government would be any worse off and it would certainly stabilize the price.

Mr. ATKESON. I am not so much concerned about the Government, as the Government seems determined to go into bankruptcy anyway. One problem that is worrying the people of this country above every other is taxation. Other things shrink and taxes expand all the time. But I undertake to say what I regard as the most serious objection to price fixing from the farmer's standpoint. We had price fixing during the war for the deliberate purpose of keeping things from going as high as they could go. With 75 per cent of the people nonproducers of surplus food products and only 25 per cent producers of food products, you are going to have a merry time in this country when you undertake to fix a price that will be satisfactory to either party; and since the price-fixing instrumentality, whatever it is, if you try to write it into the statute you will see your troubles; and you fix a board that will fix a price, and every farmer that talks price fixing contemplates fixing the price above the normal price or the commercial price of the product. He would not want the price fixed if it was not for that. When wheat is worth a dollar it looks good to have it fixed at \$1.75, but if wheat was worth \$3 it looks thundering bad.

Senator LADD. In this case you do not want it fixed as a maximum price. It is a minimum price, is it not?

Mr. ATKESON. That is what they called it during the war.

Senator LADD. In the United States, at least, it was a maximum price?

Mr. ATKESON. No; they said minimum price, if you will read the statute.

Senator McNARY. It was a maximum price. It was supposed to be a minimum price, but actually a maximum price.

Senator LADD. In Canada they fixed it as a minimum price, and they got cents above what the minimum price was.

Mr. ATKESON. My thought, though, is this, that if they fixed the price above the world's price—we know from the newspapers what the world's price is—we will say that world's price of wheat is \$1 a bushel, and if you have fixed the price and the Government agreed to take the surplus at \$1.75 or \$3. or any other figure, the consumers in this country would raise a howl from Dan to Beersheba if they knew they were paying \$1.75 a bushel and over in Germany and in Liverpool and in the world's market the same wheat could be bought for \$1 a bushel.

Senator KENDRICK. On the other hand, suppose all the market information obtainable indicates that wheat is to be \$1 a bushel next year, and suppose instead of saying \$1.75 we said we would take 200,000,000 bushels of wheat at \$1 a bushel. Wherein would the grievance come on the part of the man who was producing it if he knows in advance what the Government would take and how much it would pay? It certainly could not affect adversely the interests of the consumer, because it would tend to encourage, if it did anything, a reasonable supply of grain.

Mr. ATKESON. Yes; but you go up against the human factor there. If you fix the price at what wheat will probably be, from the best information you get, he says, "What are you fixing the price for?" That is the way of it. What wants you to do, is to give him twice what the price would probably be.

Senator KENDRICK. You are fixing the price just for this reason, as at the present time. The agricultural interests probably are not entirely alone in that. But at the present time the agricultural interests producing food supplies of the country do not know whether they are going to get \$1 a bushel or 75 cents a bushel.

Mr. ATKESON. No; nor \$2. It is worth \$1.30 now.

Senator KENDRICK. But they will not be hurt if we said we will give \$1 a bushel?

Mr. ATKESON. Of course, if you fix the price low enough, nobody will be hurt, neither will anybody get any good out of it.

Senator KENDRICK. I do not know how others feel, but if I were raising grain I would rather have a price fixed below which I know it would not go, as a producer, than to not have any suggestion as to where I was going to land. That is the trouble with the farming interests to-day. I don't want to testify to Mr. Chairman, but I want to say that I think because we have gone along producing a surplus of food products all the time for the Nation, I don't think that that is any indication that we are going to continue that way. More of people now are consumers than producers.

Senator McNARY. Doctor, may I ask you this? I think it may be said that very few agricultural products are being marketed at the price even of production.

Mr. ATKESON. I think that is true.

Senator McNARY. The bill we have under consideration contemplates stabilizing the price of our staple commodities. In your opinion, would that have a tendency to overproduction of the guaranteed agricultural products contained in the bill to the scarcity of other products not contained in the bill?

Mr. ATKESON. It would have that effect. I heard a gentleman down at the conference the other day say that a county in his State before the price of wheat was fixed at \$2.20—I don't know that I can recall his figures, but that county produced about 25 times as much as it had ever produced before. They went out and plowed up the pasture fields; they did not plant corn and did not sow turnips and did not sow anything else.

Senator LADD. Was not that due more largely to the stimulation and encouragement and requests of the Government to raise all the wheat they possibly could? I was one of those who went out in North Dakota, all over the State, urging the farmers to plow up every acre of land they had, at the request of the Government.

Mr. ATKESON. The element of patriotism may have had something to do with it, but the main element was that it paid to produce wheat at the price, and you made it profitable to produce wheat. But just try the farmer. I smile at myself when I think about it. I know this American public, and have known

item for a good while. You undertake to fix the price by legislation or by board above the world's price of wheat in this country, and you will have merry time if you ever attempt it.

Senator KENDRICK. I think your question, Senator McNary, would be answered by the relative price placed on the products. For instance, if they were high it would cause people to overproduce on those guaranteed products.

Mr. ATKESON. It is a difficult matter to determine the cost of production of wheat or any other crop. I sowed a wheat crop in 1916 and got an average yield of 25 bushels to the acre. The crop I sowed in 1917 cost twice as much for fertilizer, more than twice as much for the men I employed, on the same kind of land, right alongside of the other field, and I got an average of 8 bushels to the acre. What did it cost to produce a bushel of wheat? For half the cost per acre I got 25 bushels to the acre for which I got 8 bushels to the acre on identically the same kind of land.

Senator LADD. You would not contend, would you, that that was a fair test for example, or that that would be the basis on which the cost of production could be fixed by the country at large?

Mr. ATKESON. All the agitation of price fixing, I would say, is because of the calamitous condition that I referred to in the early part of my statement. Agriculture is in a desperate condition. There is no doubt about it. The average farmer for two years has not anywhere nearly received the cost of production, and the worst enemy those farmers had was the man who would loan them money or who extended their loans on a decending market. I had a neighbor who lost \$8,000 in 12 months because a deed of trust on his farm was not foreclosed. There is much in present conditions that makes me shudder. Some of the things that are being presented to Congress to solve those problems, that are not solvable by legislation, are absolutely and hopelessly unsound. Two years ago everybody in this country that was in debt who was compelled to pay his indebtedness, is thousands of dollars better off to-day than he would be if he had to pay his debts now.

Senator MCNARY. Do you think the farmer is able to get credit too easily?

Mr. ATKESON. How is that?

Senator MCNARY. Do you think it has been too easy for the farmer to borrow money to operate his farm?

Mr. ATKESON. Yes; on a declining market. That is, a man that borrows money to produce a crop at less than cost is not only minus the interest on his money, if he ever pays the principal, but but he is minus what he lost in producing a crop at a loss.

Senator MCNARY. A manufacturer, finding he is unable to sell his goods at a profit, can stop manufacturing, but can a fellow raising hogs, cattle, alfalfa, and many other crops, cease his activities because he can not sell at a profit? He must go forward.

Mr. ATKESON. So must the factory go forward or go into bankruptcy.

Senator MCNARY. Oh, not necessarily. A factory can stop, discharge its men, and lock up its doors, but the interest on capital investment and the insurance goes on, but you can not stop feeding the cow or a litter of pigs, or dig up alfalfa that it takes two or three years to grow. You must go on and protect your investment.

Mr. ATKESON. If there is anything in the factory, he has to get rid of it. Following the Civil War, I helped to drive nails that cost my father \$8 a keg. A few years later I helped to drive nails made in the same factory that cost 30 cents a keg, and the factory closed up, and it rotted down to the foundation. It failed.

The newspapers say that Sears-Roebuck Co. lost \$21,000,000 last year.

Senator KENDRICK. They had an enormous reserve, and it is indicated by current reports that one of their men who has profited largely by their heavy interest in the company took that much more of their capital stock to allow them to proceed.

Mr. ATKESON. That is a little foreign to the question. If I could be made to believe that price fixing would solve the present calamitous condition, I would certainly be enthusiastically in favor of any such plan. That is why I hesitate to discuss this question at all. I think I know that the Government will never get away from it. Let me give you an illustration: During the war, instead of increasing salaries of Government employees they proposed a bonus, and the Government will never get away from that bonus without raising salaries to absorb it.

A good deal has been said about price fixing as a temporary emergency plan and if it is advisable at all, it is advisable on that theory. Emergencies call for all sorts of extraordinary measures, extraordinary remedies. I hesitate to approve any price fixing as a remedy because it seems to me in many respects that the remedy will be worse than the disease. If we begin it, we will never quit price fixing until we bring some kind of calamity on the people interested. The only earthly argument for price fixing under present conditions is to give the farmers a price above the world's price for his products. That is what we all want now, and we have got to have it, or the other fellow has got to take less. The one thing that is established in this country now is that the present disparity of income between the people on the farm and people elsewhere does not continue. That is just as certain as that water will flow downhill. The price the farmers can afford to pay now for labor does not exceed a dollar a day and board.

Senator KENDRICK. Is it not your opinion and belief that farmers have suffered this inequality over at least, as you know, perhaps one generation, and there has come a time now where they are not going on; that is, if the man on the farm does not receive an equality with the man in town? He does not get as much pay for a given amount of labor that the man does who lives in town.

Mr. ATKESON. And he gets less interest on his investment, on his capital.

Senator KENDRICK. Well, it is your opinion that he will not go on that way?

Mr. ATKESON. Yes. Now, that has always been so and it will probably always be so. I do not care to go into the psychology of that, but take civilization from the beginning of time and the people who cultivated the soil received less compensation, measured by the standards of measurements, than people engaged in other occupations. But there are compensations to country people, farmers, that do not exist elsewhere. They do not have to spend as much money as other people do. I have tried both ends of it. I was born on a farm and have spent every summer of my life on the farm where I was born, and I do not know that I ever told this committee that, but I worked as a farm hand for 75 cents a day for five years after I was married and then for five years I rented the farm where I was born and paid a cash rent. At the end of ten years I bought a five-sixths interest in the farm and began paying taxes on my debts. I kept that up for a good many years, and about the time I was getting out of debt I went to teaching in college, but I have never let loose of farming that farm. I have spent every summer on the farm since I was born on it until a year ago last summer, which I spent in Washington trying to find out what Congress was doing.

Senator KENDRICK. Did you use the money, Doctor, that you made from teaching to keep the farm going?

Mr. ATKESON. No, sir. I had paid for the farm before I went to teaching.

Senator McNARY. That is very interesting, Doctor. Have you a remedy other than the one that is proposed in the bill which we are now considering that might bring relief to the farmers from their present condition?

Mr. ATKESON. Many remedies have been suggested and Congress is doing everything it knows to find effective remedies. I believe every Senator and every Congressman in this Capitol would do anything that he could to solve the agricultural problem, because in solving that problem he would solve many other people's problems. We are all largely in the same boat. Efforts to make money available at a less rate of interest and for long-time periods has some economic value to the farmer. To some it has a very important economic value. A good many remedies have been suggested. Some of them are sound and some of them are unsound. I know that there is a great deal of doubt and hesitancy in the minds of Senators and Congressmen as to what they can safely do to remedy the desperate situation. I think I know that is true. But with my long experience, however, I am perfectly free to say that if Congress would say to me, "You write into the law anything that you think would solve the present situation," I would have to say that I don't know what to do. There are many things I think would help some. The thing that I might think would effect the remedy might prove disastrous. No man can, of course, know exactly what the effect of any piece of legislation will be. Our grape growers in California and New York thought prohibition was going to ruin them. The very next year instead of selling grapes at from \$12 to \$15 a ton, which had been considered a fair price, they went up to from \$125 to \$200 a ton. Prohibition worked just the opposite from what they thought it was going to do.

work. It is possible to do more harm than good now. My conviction is that readjustment is coming. I believe May wheat may sell for \$1.50 a bushel. I have unbounded faith in the future of agriculture.

Now, we talk about most desperate times, but I have lived through worse times than we have now. We sold wheat off my farm—my father sold it—at about \$3 a bushel, and we paid men \$3 a day for harvesting it. We sold wheat a few years after that from that same farm for 55 cents. We turned away from our kitchen door, after feeding them, more than twice as many men the very day we went to harvesting as we had any use for, and we paid the harvest hands 50 cents a day. We made more on the wheat, so far as the labor item was concerned, at 55 cents a bushel than we did at \$3 a bushel—\$2.80 I think it was at one time. Now, then, if we paid the men \$3, so far as the labor item was concerned, and sold the wheat for \$2.80, we were 20 cents short. If we sold the wheat for 55 cents and paid the harvest hands 60 cents, we were only 5 cents short on a bushel of wheat compared with the day's wage.

These things are relative. This readjustment must come. There is no use for anybody to deny the inevitable. There is no power on earth that can prevent a readjustment. The price of agricultural products must go up, and go up very promptly, in a year or two, to something like war levels, or the other fellow will have to get down a little nearer where we are.

I have never in my life said a word or intended to say a word that was calculated to try to reduce the price that labor obtained for itself. That is not my purpose. But if there are 5,000,000 people out of employment, as was stated at the agricultural conference the other day, there are going to be more than 5,000,000 people out of employment on the present basis. That is, no man is going out in the country, no able-bodied man, and work for a dollar a day if he can come to Washington and work at the carpenter trade or some other trade at \$1.05 an hour.

I have always maintained that a man had the right to go and should go where he thinks he can do the best. I have never deprecated people leaving the farm. Right now I wish half the people that are on the farms of this country would go somewhere else, and if I were the only man who was left on the farm I would have a picnic in this world. It would not be necessary to fix prices. I would get my profit. Now, men will go where they think they can do the best just as certainly as water flows down hill. There will be more and more unemployment with the present disparity of incomes between the man out in the country and the man who gets a dollar an hour at some other job. It is my opinion that there is no occasion for idleness to-day or for unemployment in this country if everybody would go to work at the job he can find at the price he can get for doing that job. Now, it would be economically better for this country.

Let me give you an illustration. We will suppose, taking carpenters or other builders or any other trade, that half of them will work for a dollar an hour and divide it with the other half. They would have 50 cents apiece an hour for their labor to live on, but the world will be minus the product of the productive energies of half its people. If they were all working we would have twice as many houses, and everybody would have just as much money. If they would all go to work there would be so many houses built that rents would be half what they are, and that would be an economic readjustment. It is a crime against civilization for half of the people to be doing nothing. I am not blaming anybody for doing nothing if he thinks it is better for him to do nothing. That is his privilege. But if all the people produced, the product of all the people will be cheaper and all the people will have more of the necessities and comforts of life.

Now, I heard it stated over at the agricultural conference the other day that it would be of advantage to the country, the farmers at least, if they would sell the surplus in Europe and take the best security they could get, and if they could not collect it all, that it would be an advantage, because they would get more for what was left than they would have gotten for the whole amount. Now, I have never considered a corn crib full of corn or a barn full of hay a liability. It is an asset. It is insurance against a succeeding short crop. I have never, somehow, felt that it was a liability. Even though I am not able to sell it for half what it cost to produce, yet I have always felt that it was an asset rather than a liability.

But the dangerous point in this price-fixing problem is the fact that there are two parties at interest. Now, I remember during the two years following the World War what a tremendous lot of publicity the high cost of living had.

I presume your minds, Senators, are not so short that you do not remember that. I said to some committee here that the excitement or agitation of the high cost of living was as a summer zephyr as compared with the cyclone that would strike this country when the cost of living would begin to go down and that has verily come to pass. If you could equalize the income or the readjustment on the basis of the present farmers' prices with other people's income, nobody would be seriously hurt, but the man who had fixed charges and that is where the tax comes into play. The taxes on my farm in the last five years have quadrupled, and my ability is half to pay, or just about half, in that same length of time. They have multiplied my taxes about eight times as compared to my ability to pay. That is the most serious problem that confronts the man who is out of debt. He can take care of himself, the man on a good farm that is out of debt. The only thing that we worry about is the taxes and that is the local taxes, not how we are going to get the money to pay the soldiers' bonus or national taxes, but the local taxes all over the country have enormously increased, and the farmers are in desperate straits as to how they can get the money to pay those increased taxes.

Senator LADD. What proportion of the farmers are out of debt? You say if the farmer is out of debt, he is all right.

Mr. ATKESON. I don't recall the figures, but the census gives the number of farms that are mortgaged, and I think that it gave the figure for Illinois at little more than half the farmers of the State.

Senator McNARY. It is greater than that taking the country over.

Senator LADD. Yes; taking the country over.

Mr. ATKESON. I don't know whether that is the country over, but probably half the farmers in the United States are more or less in debt. I think a larger proportion than that.

Senator McNARY. I think you will find it 80 per cent.

Mr. ATKESON. Certain indebtedness the census takes no account of. I presume that more than half of the farmers of the country are more or less in debt. Now, then, on a declining market the man with fixed charges is the man that gets seriously hurt. If he accumulated that debt on war prices, he is peculiarly unfortunate. There is absolutely no help for him. No human ingenuity can save the man who went out and bought land at \$500 or \$600 an acre on war-time prices and paid half down.

Senator LADD. Then, you think there is nothing that can be done to help them out?

Mr. ATKESON. No; I did not say that.

Senator LADD. Well, we want you to give us something that can be done.

Mr. ATKESON. I indicated awhile ago that Congress had passed some legislation that was helpful, and there are other things that are helpful.

Senator LADD. Tell us so that we will know.

Mr. ATKESON. If we can do anything by legislation that would cure the economic conditions that I speak of, the readjustment of the various interests in the community, we have to reckon with the human factor. Nobody ever sold what he had to sell for less than he could get for it. That is, as a general proposition. Nobody ever paid for what he had to buy any more than what he was compelled to pay for it. We might as well accept that as fundamental. Now, when you undertake to fix a profit above the commercial price of the work the people who are not producers but are consumers will protest.

Senator LADD. I grant that. You have told us that three or four times? What I am asking you to do is to tell us something that ought to be done. Don't talk about that. You have told us that three or four times. Now, tell us something you think ought to be done.

Mr. ATKESON. We are discussing now the question of the justification—

Senator LADD. You have stated you did not believe in it. Now, what we are asking you to do is to tell us something that you think can be done that would improve conditions.

Mr. ATKESON. Well, I have been fairly committed to the idea that Congress should provide some kind of what is known usually as personal credit. Now, credit is an asset or a liability, depending entirely upon the use made of it. Now, I believe that agriculture, or the farmer, ought to be able to procure the amount of money that is necessary for them to have, which they do not happen to have as individuals, for conducting their business at as low or a lower rate of interest and as easy of access as any other industry in the land.

Senator McNARY. I thought you said, Doctor, a little while ago that one of the causes of the present deplorable condition of agriculture was the ease with which the farmer could get money; that too many of them borrowed; too many went in debt?

Mr. ATKESON. No. I said on a declining market the man who borrows money, to carry himself further down the hill was worse off than if he had surrendered. During the prosperous times two years ago was a good time to get out of debt.

Senator KENDRICK. But farmers, Doctor, are a good deal like others. they can not always tell whether the market is to be permanently a declining market or only temporarily.

Mr. ATKESON. When markets are abnormally high, as they always are during war times, it is practically certain that sometime in the near future there is going to be a declining market; they are going to get back to what is called normal.

Senator RANSDELL. Doctor, won't you define what you mean by personal credit?

Mr. ATKESON. Well, as distinct from the farm loan credits. Some kind of an association of individuals that would provide credit for men who have health and character and education and desire to engage in agriculture. The agricultural colleges are turning out men who are equipped for success on the farm, but who lack capital—judicious use of borrowed money.

Senator RANSDELL. For short time do you mean—short terms?

Mr. ATKESON. No; I would make them long time. I don't care to go into the detail of that discussion particularly, but the longer the time the better. It must be longer than what would meet the requirements of commercial operations.

Senator McNARY. Is not this a practical proposition? The Joint Commission of Agriculture recommended a bill which has been introduced in Congress providing that farm loan banks shall supply credit to the farmer on his warehouse receipts for a period of from six months to a year. That embodies the principle that you are now discussing, does it not?

Mr. ATKESON. Substantially; yes. I will tell you that is quite a long story.

Senator McNARY. I think we understand that.

Mr. ATKESON. If you establish any credit at a lower rate of interest than their real estate securities, it might help. It may be predicated on warehouse receipts or—

Senator McNARY. Chattel mortgages?

Mr. ATKESON. Or an association of individuals that would mutually assume the responsibilities for the association. Various things have been suggested, but I regard that proposition as the most important method. That would not solve, Senator, the present emergency at all. That is for the going concern of agriculture, and it must go in this country, and I believe that would be of real benefit. Farmers have had to pay too much for their borrowed capital, and farming as a business needs more capital than it has had, just like any other business, and I believe that would be a real constructive piece of legislation that would result in benefit to the farmers. The details of that I don't care to discuss.

Senator McNARY. Does anyone desire to ask the doctor any further questions? Is there any further statement you desire to make, Doctor?

Mr. ATKESON. No; I think not.

Senator LADD. Mr. Chairman, I have here a letter in regard to farming conditions that I desire to place in the record.

Senator McNARY. Without objection, it will be placed in the record.

(The letter referred to is as follows:)

MANNING, N. DAK., February 3, 1922.

Hon. E. F. LADD,
Washington, D. C.

DEAR SIR: You are acquainted with the district from which I write and know the general condition of farmers in this five-year drought-stricken territory.

A fixed price for next year's grain crops will be a great benefit to farmers who are able to "stay in the game," but what are they going to do whose security is so overborrowed that they can not get another dollar through their banks, the Federal reserve, or any other source, with which to try to save their farms by planting again next spring for a crop?

Many farmers have left this part of the country and many more will have to go if they can get no help to put in seed in the spring. They are so deep

in debt nothing but a crop will save them, and there is nothing else to do keep on trying for one until God comes back or their creditors stop them taking their farms. They have not enough income from live stock and dairy products alone to catch up with interest dues and back taxes, and are forced to risk getting a grain crop to help out.

Each year of crop failure has made this condition more pronounced. But look for a more favorable season each spring, and must try for a grain crop or quit entirely and let their farms go on the mortgages. What else can they do and who would do differently? If a man had fallen over a bluff and was hanging by a little bush that was not safe, who would advise him to let go and grab for a bigger one that he can't reach?

No doubt that much of the money given to European sufferers will help some worthy ones, but we know that much of it will go to keep alive a class that is of less value to the world than our cattle are. No need to reason why.

Of course, this country must help the suffering "East," and we can not see those to be helped, but at the same time can not the leaders of this country find a way to keep some of the best citizens of our own country from having to give up their homes and their all, just perhaps for the want of a loan or one more "try" in an industry that is for the benefit of all our people?

During the war the call for more wheat undoubtedly influenced many farmers here to put in a larger acreage of wheat, whose experience with grain crops in this dry country had turned them onto the road of more stock raising. Of course, it was not from any lack of patriotism or self-interest in expectation of making money on a high price for wheat or whatever one may call it, wheat was wanted; they went in for wheat and got "in the hole." Those who kept on with live stock and kept out of grain are safe now.

When a man sees the homes and farms and in some cases all that a lot of hard-working families have saved in half their life's work lost for the loss of a small loan, and through no fault of theirs, and sees his Government spending millions of dollars helping the unfortunate of foreign lands and yet will not advance any aid to a community of its own unfortunate citizens without it can be seen how every dollar of it will come back, it takes a more philosophic spirit than I have to be satisfied that it is right.

It looks like those who had learned how to make a success of agriculture in this dry country before the war upset them must now lose out and let the farms go to the money lenders at a great sacrifice to the farmer and a great profit to the lender, who will add another profit by selling the farms to new beginners, who in turn will spend years learning how to farm this dry country successfully. For, you know most men, like boys, must learn from their own experience. They will not learn from the experience of others.

We are told to send our Congressmen petitions. I can not see the need of sending petitions to such Congressmen as North Dakota has, who are perfectly familiar with all our troubles, unless they would like a stack of petitions to show. Petitions from farmers are hard to gather in such winters as we have here and where men are many miles from town and seldom come in.

We believe that all Congressmen know what ought to be done for the general welfare in this matter without having to see a carload of petitions to urge action, and that if nothing worth while is done we must feel that the opposition does not "give a rap" as to who or what goes under as long as it seems to be likely to affect their interests for the worse.

I repeat that the first and main question with farmers here now is how to get one more chance to try to save their farms.

All the papers here are full of delinquent tax lists and mortgage-foreclosure notices.

Is there any hope of farmers who have no security to give except on 1922 crop getting help from the Government to plant again next spring?

Yours, very truly,

W. E. SMITH

(At 12 o'clock noon the committee adjourned subject to call of the chairman)

STABILIZING THE PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

TUESDAY, FEBRUARY 14, 1922.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee reconvened pursuant to adjournment at 10:30 o'clock a. m.
Present: Senators Norris (chairman), Page, McNary, Capper, Gooding, Ladd,
Kendrick, Harrison, and Heflin.

STATEMENT OF MR. WILLIAM J. MOZLEY, DICKINSON, N. DAK.

Mr. MOZLEY. Mr. Chairman and gentlemen, the reason that I came down here to give a little testimony at this time is because I have fully considered the condition that agriculture is in to-day in all of these States, especially the Western States. I made a survey of the States of North Dakota, Minnesota, Wisconsin, and portions of the State of Iowa.

The CHAIRMAN. I would like to have you tell, for the record principally, who you are, what your business is, where you live, and so forth.

Mr. MOZLEY. Excuse me, Mr. Chairman. My name is W. J. Mozley, and I live at Dickinson, N. Dak.

I own and operate a farm of 800 acres about 10 miles southeast of the city. That is all the business I have, farming, so I come to you as a dirt farmer.

Senator McNARY. Do you raise grain?

Mr. MOZLEY. Yes, sir; grain and cattle, diversified farming; and I have discovered over a period of 16 years while I have been operating that farm that agriculture is getting in a condition that the average farmer can not stay on the job under the present situation. Mortgages are increasing at a rapid rate, and tenantry as well. They are borrowing more money all the time, and the interest rates are increasing in a great many localities instead of diminishing. The average rate of interest is about 8.7 per cent, and I do not think it varies very much over some of the other States.

Senator CAPPER. Do you have a legal rate of interest in that State?

Mr. MOZLEY. Well, not exactly; no, sir.

Senator McNARY. Is that money borrowed from State banks?

Mr. MOZLEY. That is money borrowed from all places. The banks in our State charge 10 per cent on all collateral. We can get real estate loans from the Bank of North Dakota now at about 6 per cent, 7 per cent upon the amortization plan, but the banks have not been able to take care of all the outstanding mortgages, only a very small percentage.

Senator HEFLIN. Do you mean that farm mortgages are increasing?

Mr. MOZLEY. Yes, sir.

Senator HEFLIN. On the farms?

Mr. MOZLEY. Yes, sir; on the farms.

Senator PAGE. We have in the West a good many farm-mortgage concerns. They, in fact, cover the field in the East, you know, as you do in North Dakota.

Mr. MOZLEY. Yes, sir.

Senator PAGE. I received notice the other day from a concern that I have dealt with some, that after the 1st day of March loans which had been on a 7 per cent basis to the eastern investor would be 6.5 per cent, so that the tendency is rather downward than upward?

Mr. MOZLEY. I believe you are correct; but I am speaking of the time up to the present, and just what the present tendency is I could not say.

Senator PAGE. I think in your State 7 per cent means the very best, safe, wide margin. The tendency of money everywhere is downward, and I do not think we need have any fear on proper security of the rate going upward. The 7 per cent rate is going down in North Dakota to 6.5; in Wisconsin and Iowa to 6. That is the present prospect for farm loans.

The CHAIRMAN. Senator, do you mean 6 per cent for the farmer there would he have to pay a commission?

Senator PAGE. He would have to pay a commission. That would be net to the eastern investor.

Senator PAGE. Six per cent in Iowa, 6 per cent in Wisconsin, 6.5 per cent in North Dakota. There is a difference in localities, from the fact that the danger or risk is larger in North Dakota than Iowa.

Senator GOODING. Do the loan companies control the commission that the agents receive?

Senator PAGE. Yes, sir.

Senator GOODING. So the farmer will get the benefit of a reduction?

Senator PAGE. Yes, sir.

Senator GOODING. I did not know how it was handled.

Senator PAGE. The farmers would have to pay 1 per cent above what eastern savings banks charge.

The CHAIRMAN. When you are giving these figures, do you want us to understand that a farmer would have to pay 1 per cent more?

Senator PAGE. They would have to pay 1 per cent more than the savings banks in the East charge?

The CHAIRMAN. Yes.

Senator PAGE. I presume, in Idaho it might be one-half per cent above that. Montana is still worse, because you have worse conditions there in Montana than in North Dakota. North Dakota is regarded as one of the best States, a certain part of it. Montana, so far as the Judith Basin is concerned, stands outside of the 7 per cent rate in Montana.

Mr. MOZLEY. Yes, sir.

Senator KENDRICK. Do you understand, Mr. Page, that the arrangement which the local company has a premium of 1 per cent—does that include a guaranty of the loan on the part of the local company?

Senator PAGE. No, sir; no guaranty of the principal, but a guaranty of interest. They agree to keep certain conditions there. There is no guarantee of the principal. Any eastern concern that would guarantee the principal, would pass as we would pass a piece of poison. There would be no strength in a guaranty that carried as large a sum as these loan agencies carry.

Senator CAPPER. Can the North Dakota farmer get all the money he wants at this time on land at 6.5 per cent if he has security?

Mr. MOZLEY. No, sir; he can not.

Senator GOODING. They can not even start to get anything at all, compared to their needs. That is true in my State.

Mr. MOZLEY. They can not get it at the time they need it, and the money they get on chattel security is due at the time when they are forced to market their crops in an abnormal condition. We are forced to sell our wheat in the fall of the year, when the great bulk of the wheat is ready to move to market, and it is likewise the same with cattle. You can go back over a term of as many years as you choose, and I have watched the conditions annually, because I have been in the boat myself, that along in the fall the paper is made due about October 1, on everything. Now, at that time of year the bulk of the grain and cattle are moved to the market, and the loans are called, and we are obliged to liquidate regardless of the consequences.

Senator PAGE. One word there. Do you not think that if the farmers in a concerted way should ask to have their payments due the 1st of January, or the 1st of December, it would be easy to change the maturity in that way?

Mr. MOZLEY. Well, it is possible that some of it could be done, but I know the bulk of the money has to be paid—they oblige it to be written in that way about October 1.

Senator PAGE. I know that lots of it is due December 1.

Senator LADD. I think you will find that very little is written beyond November 1, because the machine companies, the men who loaned the money, and the banks will insist on liquidation at the time the farmer sells his crop.

Senator PAGE. You are correct. I know if a loan is perfectly good the loan agent is quite willing to make the maturity when the farmer wants to have it.

Senator GOODING. The trouble with the farmer is that the margin he has been operating on has been so close, the bankers, not because they want him to liquidate—the bank wants him to market his stuff and clean up. They feel that it might get away from him unless he does. The man who is entitled to extended credit gets it right along when the country is in normal condition, but the farmers have so little, as I say, when pay day comes, that the banks want him to clean up—that is, after harvest.

Mr. MOZLEY. That is one of the great difficulties that we have in North Dakota, that we are obliged to liquidate when the great bulk of stuff goes to market.

Senator HEFLIN. Would it not be better for the farmers to move that pay day to December 1, or January 1, so the pressure would not be brought upon the farmers to dump their products on the market?

Mr. MOZLEY. Yes. I agree with you, if it could be brought about. Here is another thing that is interesting. In the live-stock business, you men who are acquainted with it, are aware of the fact that you can not use short-time money, and develop the live-stock industry. Two years ago the cattle market was very good. Two years ago in August I marketed some cattle, and from that day until this the market has been descending. To-day the cattle that would bring around \$125 apiece two years ago, in August, or were good last August, would not net \$25 to-day, and these cattle have been carried over, some of them, on high-priced feeds, scarce feeds, where the feeds would have to be purchased, at times. The same thing applies to all Western States. It is not just in North Dakota.

If we were in a group by ourselves I would say that the only thing to do was to quit; but the farmers all over the country are in this condition, and they can not quit. Look at the thousands of homes that have accumulated or that have been built up over a series of years, where the farmer has got his life-earnings in what he calls his home. You go to the average farmer over the country and find out his condition. The great majority of farmers will say that if they could get out from under the load, if they could leave their homes and get a clean bill of health, so they could start out anew, I know thousands of farmers would do it; but there would be that stigma of debt hanging over him, and the only way he could get relief would be by taking the Nelson cure, and you know the average farmer does not want to go through bankruptcy.

When there is a little bank failure involving a sum of from fifteen to twenty thousand dollars, it is written in every newspaper in the land, and if it happens in North Dakota it is quoted double, and they say it is no wonder that bank failed in North Dakota, in that awful State.

A farmer who was worth \$40,000 to \$50,000 in property three or four years ago, to-day is down to the dregs. If he fails, and would take the bankruptcy law, or I will say if he does not take it, and if he fails and moves out, there will not be any notice of that.

Senator GOODING. That is common.

Mr. MOZLEY. They say, "That is a common fellow; he has dirt on his boots; let him try it again; come up into northern Wisconsin and Minnesota, and we will help you get a new home; we will place you on a nice easy chance for life, and we will do everything we can for you, and we will settle you on a beautiful home. Go look it over."

I made a survey of that country, and I know it from A to Z. What have you got?

Let me draw you a picture: A man settled in there in 1902. I visited him this fall. He was a strong-minded fellow and went in there with a determination to build himself a real home.

Senator GOODING. That is stump land there?

Mr. MOZLEY. Yes, sir; it is within a mile of Long Lake, and I go there occasionally to hunt deer, and I have met this fellow from year to year, and I called on him last fall and said: "Neighbor, how are you making it?" and his back was stooped, and his hands were doubled up from handling stones and stumps, and his wife was in the same condition. He raised up some boys, and they worked hard on the farm when they should have had a chance to get an education in school; but they had no chance. He said: "If I could get out of this damnable country I would leave it to-morrow." He said: "I have 5 acres cleared since I first came in here." I said: "What does it cost you to clean this land?" He

said: "You can not put a price on it. The price of money does not enter into it." He said: "Look at me, and look at my family."

One hundred and fifty dollars an acre would not clear that man's farm under any of the latest mechanical devices you can use, and they say: "Go up in the grand northern country and get yourself a home; what do you want to go in a bolshevist country like North Dakota for, when you can go there?"

Senator GOODING. That is a real estate fellow?

Mr. MOZLEY. Yes, sir.

Senator PAGE. You mentioned Wisconsin?

Mr. MOZLEY. Yes, sir.

Senator PAGE. We bought some of their loans. Within a year I was offered 7 per cent; within the last four months 6.4 per cent, and within three or four weeks they say we can not make over 6 per cent now, but instead of offering us \$100,000 or \$200,000 to pick from, we have not over ten or twenty thousand we can let you have. The loans were sold up so close in Wisconsin; that is because they live on the dairy products, not from wheat.

Mr. MOZLEY. Sure.

Senator PAGE. Do not mix those two States. It is a question of locality.

Mr. MOZLEY. I am glad you brought that up. I want to tell you of a little case in good old Wisconsin, and I am proud of Wisconsin. It is one of the grandest we have. I visited Ripon, Fond du Lac County. I used to operate a little creamery out there. I called on a neighbor, Grant Borlingname. He lives 3 miles from the city, and I have stayed with him two days. I said, "Grant, how are you getting along," and he said, "We are getting along. We are living." I said, "How are you getting along financially?" And he said, "We have not reduced the debt any since you left." "But," he said, "our cows are keeping us along first rate." I went down to his barn and found that he was milking 13 cows, and 9 or 10 of those are pure-bred Holsteins, the balance, grades. He had a few youngsters growing up, to take the place of the cows that were ageing. I said, "What are you feeding these cows?" He said, "200 pounds of bran a day, which cost \$2.26 a day. I am feeding ensilage that I figure cost \$2 a day. I am feeding hay that cost me, by producing it on the farm, at least \$1.75 a day." "How much are you getting out of your milk?" "This month my cream checks will be about the average for the year, which will run a little above \$100." Himself, and a boy that is 24 years old, married and settled on a farm, no account taken of the value of that farm, and they take into consideration nothing relative to depreciation or upkeep, and the wages of himself, his boy, and his wife, and the others for working, not one of them charging a penny against it; where are they going to get off?

Senator GOODING. And up before daylight every day, too?

Mr. MOZLEY. Yes, sir. You can take the country as a whole. I do not care what you take. Take your own State, and if you go down there in the agricultural district, you will find to-day that agriculture is on the toboggan absolutely.

I could cite you thousands of men who have left North Dakota, South Dakota and other places, because they could not make the grade. I have not left my home, and do not intend to leave it.

Senator GOODING. Let me ask you about North Dakota. How is the fertility of the soil—compared with when the people first came there? Are they maintaining the fertility of the soil?

Mr. MOZLEY. It is going backward. It has to go backward, because they are farming too big farms.

Senator GOODING. Yes.

Mr. MOZLEY. On my farm, we dropped big farming two years ago. We farmed 800 acres up to two years ago, and cut it down to 320 acres, and use the rest for pasture and hay land.

Senator GOODING. Is not the trouble with agriculture there that there has to be too great struggle made to make a living, that the soil is made to work overtime, and that it will become exhausted?

Mr. MOZLEY. That is exactly the truth.

Senator GOODING. That is what is happening in my State.

Mr. MOZLEY. Yes, sir; in all the States.

Senator GOODING. In your portion of the State now?

Mr. MOZLEY. Yes, sir.

Senator PAGE. I have over in my office now a map of the Western States which shows that the average value of land in 1920 was double the value in

110. My impression is, although I speak at random, that you will find the value of your lands to-day is very nearly double what it was in 1910.

Senator GOODING. I think that was true from the record which you got one year ago, for every State in the Union, and in some cases the value was more than double, but under present conditions of agriculture you can not sell land at all.

Senator PAGE. That is, in the present year?

Senator GOODING. In the present year; yes.

Senator KENDRICK. Do you not believe that the statement of Senator Page, up to the test, would fail, because if the lands were sold now, either at private sale or under foreclosure, that it would not bring any more than in 1910?

Senator GOODING. It will not bring as much.

Mr. MOZLEY. Absolutely not.

Senator LADD. Its purchasing power is no greater.

Senator PAGE. I am giving the statistics as they come from the department. I have an idea, Senator, that the farmers who have these notes say, "Do not press us; these notes are good; we will have to have a little time to turn ourselves." That is the case of a lot of notes that come east. They want a delay. They will work out the interest, and they say, "Let the principal go," and this is being done in thousands of cases, and done because we want it done.

Senator GOODING. There are some sales made, where proper accommodations are made, at higher values than in 1910, but as far as the value of the land is concerned it is not to be compared with 1910, and the time is coming, unless there is some relief given to agriculture, that it must go far below the value of 1910, when men will have to leave it entirely. They are, in my State, or some of the dry farms, moving off entirely and leaving it for good.

Senator PAGE. I am giving the facts as they come to the department.

Senator GOODING. Where the price has been too severe and too hard they are saving the farms, and there is no value.

The CHAIRMAN. Let us hear the witness.

Senator McNARY. I would like to have his opinion on this bill. Have you read the bill?

Mr. MOZLEY. Yes, sir; I have read the bill. I will take that up a little later, if you will permit me, Mr. Chairman.

The CHAIRMAN. All right, take it up in your own way.

Mr. MOZLEY. I want to prove, as conclusively as I can, that the lands in any state to-day are on the toboggan, so far as the sale price is concerned, and in our State I have heard a great many people say that you are in the western part of the State—and, as President Wilson said during the war, if you draw a line through the center of North Dakota; in other words, or through the town of Steele, N. Dak., down to the Gulf, that all of that country west of there is unfit for agriculture. Now, just imagine a man making a statement of that kind.

Senator Ladd, of North Dakota, knows as well as any man in the world the true conditions, and he knows that the western part of North Dakota has been the bread basket of the State, for we have not been subjected to rust and other things that they have down in the valley. Whenever there is an over-large crop in sight down in the valley, in this wonderful rich part of the State, where the lands are much higher, and where the lands will sell for more to-day, whenever there is a great big crop in sight in that part of the State, and along comes some warm or hot weather, accompanied by rain, or vice versa, they are subject to rust. I have seen fields taken there that would have produced 30 bushels to the acre, over that great area going down to where they would produce only 6 bushels or less of no-grade wheat.

How is that, Senator Ladd?

Senator LADD. That is true.

Mr. MOZLEY. The western part of the State has been struck but once with rust, and in other places slightly damaged. We had the grasshoppers that cleaned us up in 1918, and a drought in 1919, and a partial crop in 1920, and in 1921 my particular part of the country was taken with a drought. We have settlers there who have been on the job for 35 or 40 years, and they said that that never occurred except partially a few times, but only for a year at a time. So you can not condemn any particular spot in the United States because of two or three years of failure, something of that sort.

But you take the statistics of the Department of Agriculture as a basis, and show what this western country produced, and you will find that west of the city of Steel, in North Dakota, that the President called the world's atten-

tion to as being unfitted for agriculture, has been the bread basket of the State. Take the Eastern States. They can not feed themselves there.

If we are compelled to take the market as it is driven down year by year at the time when the farmer thrashes his grain, and he is compelled to take the price of cattle when the cattle are put on the market in great numbers, like they are in the fall of the year, because the average cattleman wants to dispose of a certain number of fat cattle at a certain time of the year. One reason is to clear out the cattle of a proper age to go to market. Another is to save feed in carrying the cattle over, and another thing is to liquidate their indebtedness.

Senator GOODING. They are fitted to go at that time? They have reached their bloom?

Mr. MOZLEY. Yes, sir.

Senator GOODING. In regard to your grain the extension of a month or two so far as cars are concerned, would not help much. The farmers must market their grain when the roads are good. He has not any roads after the rains, and he must, in most of the States, get his grain in after thrashing in September or October.

Mr. MOZLEY. Yes, sir.

Senator HEFLIN. Can he take his grain in and store it in an elevator, and not sell it?

Senator GOODING. I think he can do that. He can in my State now. He has to get it in there, and usually they sell it when it gets to them.

Mr. MOZLEY. In all the grain stored you might just as well sell it, because that grain immediately goes on the market. They shipped that grain in, and that grain is ground up, irrespective of whether you hold your storage certificate or not, so it does not lessen the amount of grain going on the market.

Senator HEFLIN. You mean if a man has 1,000 bushels of wheat stored in an elevator and he held the certificate for it, that the elevator man would dispose of it, if he wanted to?

Mr. MOZLEY. Yes, sir; in all cases. That is where the joker comes in.

Senator HEFLIN. Suppose wheat was \$1.50 a bushel, and he should dispose of it, and it should go to \$2 a bushel?

Mr. MOZLEY. You can demand the increase in price.

Senator HEFLIN. Then suppose he sells it and it goes down?

Mr. MOZLEY. Well, that is your loss.

Senator HEFLIN. The fellow who holds the certificate for the wheat has to say that it shall be sold or not sold?

Mr. MOZLEY. He can sell it when he wants to.

Senator HEFLIN. The elevator man can sell it, too, can he not?

Mr. MOZLEY. Yes, sir.

The CHAIRMAN. If he did not do that, the elevator man would not have storage capacity. It would be a physical impossibility?

Mr. MOZLEY. Yes, sir.

The CHAIRMAN. When the elevator man sells this wheat that somebody owns he buys wheat on the market at the same time?

Senator HEFLIN. I thought the purpose was to have a storage place for the farmers, to keep it off the market, from flooding the market?

The CHAIRMAN. In the great wheat belt there are not elevators enough. That would be a beautiful thing if we had elevators to do it.

Senator GOODING. The individual farmer's wheat is lost sight of?

Mr. MOZLEY. That is exactly what the wheat raisers are up against. If we had a State elevator, or larger elevators, and we could put the wheat away, and the wheat would remain there until the wheat was sold, the thing would take on another condition.

Senator HEFLIN. The farmer could have something to do with price fixing then?

Mr. MOZLEY. Yes, sir; all the time.

Senator KENDRICK. May I ask you a question? Considering the cost of the elevators for storing large quantities of grain and the relative earnings on the investment in those elevators, as to whether or not it would prove to be an economical thing to do, what have you to say about that?

Mr. MOZLEY. I have not worked that out myself, but I can refer you to Senator Ladd, who made studies on the cost of storing wheat, and the cost of milling wheat, the value of wheat and the flour value.

While we are on that subject I want to say this: One of the hardest things we have to contend with to-day is the grade of wheat. As the Federal grades are

to-day it has not any relation to the flour value of wheat. For instance our wheat is graded from grade 1 to grade 4, and then it goes to no grade, etc. In our time Senator Ladd years ago put up what is called an experimental flour mill, the purpose of determining the amount of flour that you could get out of different grades of wheat, and he has never been disputed, so you know if a man carries on an experiment in the way of grinding up flour of different grades, it shows the relative value of one grade to the other, according to its flour value, and has never been disputed, it must be correct, because the big mills of the country would call a man very quickly if he made a misstatement. No. 1 wheat is the standard of the price on wheat to-day, and then comes the No. 2, about 6 cents below the price of No. 1, I believe. When you get to No. 3 there is a wider spread, and as you go to No. 4, No. 4 wheat varies as much as 50 cents a bushel, when, in fact, the difference in the flour value between No. 1 and No. 4 is very small.

Let Dr. Ladd answer that question, if he will, the relative value of No. 4 and 1 as to value.

Senator LADD. It will vary somewhat, but frequently it is not more than 8 cents when the spread is 30 cents.

Mr. MOZLEY. Can that thing go on in this way and still maintain the wheat market? Can you live under those conditions?

Senator HEFLIN. If you did away with the grain speculating exchange you would regulate that very largely.

Mr. MOZLEY. I believe that would be a big factor.

The CHAIRMAN. The grades are established under a law in Congress.

Mr. MOZLEY. Yes, sir.

The CHAIRMAN. Under the law as it stands now, they have complete authority to correct that error. You are not the first witness to call it to our attention.

Senator HEFLIN. It does not provide for the establishment of differentials? The CHAIRMAN. It is contended, with a great deal of reason, that they ought to establish these grades according to the flour value—

Mr. MOZLEY (interposing). Yes, sir.

The CHAIRMAN (continuing). Of the wheat.

Senator LADD. Who establishes those grades?

Senator HEFLIN. The Agricultural Department.

Senator LADD. It was claimed a few years ago, and I heard it in the committee before the House last year, that the grades were actually made by the Minneapolis Chamber of Commerce representative.

The CHAIRMAN. It may be that they control the officials.

Senator LADD. Yes; that may be, but the theory is all right.

Senator HEFLIN. They do submit grades, and the department O. K.'s them and approves them.

The CHAIRMAN. It seems to me—I have thought of it a good deal, but the committee never took it up officially with the Secretary of Agriculture, to find how it is done.

Senator GOODING. Suppose you ask for information on that, Mr. Chairman?

Senator HEFLIN. The Government does not say how many cents there shall be between Nos. 1, 2, 3, and 4 grades.

Senator LADD. I would like to have the report of the special committee to the Secretary of Agriculture, and which has not been made public. I would like to have that made available for the use of the committee.

The CHAIRMAN. Is the special committee ready to report?

Senator LADD. They did report some two months ago.

The CHAIRMAN. It has not been published?

Senator LADD. No; it never will be.

The CHAIRMAN. We would like to have your suggestion as to the remedy?

Mr. MOZLEY. I would be pleased to offer it.

Senator KENDRICK. May I suggest that Mr. Mozley has given us very interesting information about the general situation of agriculture in the north-west country, and if he could not finish to-day, perhaps he could conclude at another time. Will you have any more hearings within a day or two?

The CHAIRMAN. We decided to get through.

Senator GOODING. Are you in favor of the Ladd bill?

Mr. MOZLEY. Yes, sir; I am. I would like to add something to the Ladd bill, and I will go over that with Mr. Ladd; but I might mention I would like to see the grades of wheat fixed—that wheat be graded according to its flour value. I do not know whether that is in the bill.

Senator GOODING. I think maybe we might go into that matter pretty closely and some relief might be given there.

Mr. MOZLEY. Just a minute. Let me state before I overlook it that those millers are charging in my country \$26 a ton for bran, and the best macaroni wheat produced in the State I do not think is over 75 cents.

Senator LADD. It is less than that.

Mr. MOZLEY. It is less than that. I think it was down to 56 and 58 cents a bushel.

Senator LADD. Fifty-six or fifty-eight cents a bushel.

Mr. MOZLEY. I do not want to make that too low. Just imagine bran at the mill at that price, and you can not get it ground commercially now. You can have the millers to grind your grain for cash. He will say "yes" and he will charge you 25 cents a bushel and keep the bran or shorts along with the 25 cent bushel for grinding it. Then, you pay in our State a Minneapolis price for flour, plus the freight, and sell your wheat less the freight to Minneapolis.

Senator GOODING. From Minneapolis?

Mr. MOZLEY. Yes, sir; and you sell your wheat less the freight from Minneapolis.

The CHAIRMAN. You sell your wheat at the Minneapolis price less the freight?

Mr. MOZLEY. Yes, sir.

The CHAIRMAN. And buy your flour plus the freight?

Mr. MOZLEY. Yes, sir.

The CHAIRMAN. They get you coming and going?

Mr. MOZLEY. They certainly do. If the farmers in that State should under, under those conditions, I would like to find a way, because I am deeply interested in farming myself. In 1916 there was a party came from Minneapolis and wanted to buy my farm for a dairy farm and offered me \$50 an acre and he would have bought my cattle, machinery, and horses, and everything else, so that I could have crept out with about \$45,000 in my pocket; and at this time we have been putting in big crops, handling lots of cattle, feeding steers, and going on in a farming way, and I could not walk out to-day without \$10,000. That is getting to be a nice business to follow, and I could cite hundreds of other men—to two men that join me, within 3 miles, one man with 480 acres and the other fellow with a section. Their names are George and John Lumen; and on the last day of November these men went to the bank and gave the banker a deed to their farms—a deed of their cattle and machinery—and said they would stay there as tenants during the summer until they found a place where they could move. In 1916 either of those men were worth \$30,000 in cold cash, above board.

Senator HEFLIN. What year was it that you were offered \$50 an acre?

Mr. MOZLEY. 1916.

Senator HEFLIN. Now you could get how much?

Mr. MOZLEY. I could not go away with \$10,000.

Senator HEFLIN. How much could you borrow on your farm?

Mr. MOZLEY. I borrowed on my farm during this great distress, \$12,000. I have used my equity now.

Senator GOODING. When did you leave North Dakota?

Mr. MOZLEY. I left there last Thursday.

Senator GOODING. Very recently?

Mr. MOZLEY. Yes, sir.

Senator GOODING. Are the farmers getting any benefit out of the War Finance Corporation?

Mr. MOZLEY. Not at all.

Senator GOODING. Where is all the money going that is going to North Dakota? You are getting more than any other State in the United States.

Mr. MOZLEY. Oh, no; I do not think so.

Senator GOODING. I think you are getting more than any other one State.

Mr. MOZLEY. I will tell you where it is going, because a banker told me. A friendly banker told me where it was going. "It is coming in here to assist us bankers. Now, we have got a lot of paper around here that is getting old, and we will say to these fellows—for instance, a man that owes us \$5,000, and his security is good for \$4,000, under the depression—we will take that man's note for \$4,000"—

Senator GOODING (interposing). How much?

Mr. MOZLEY (continuing). "\$4,000, and put all his security under that, and send that through the banks, and take his note for \$1,000, and just clean up."

h the fellows that owe us the heaviest." He said it was just a matter of going over the banks, and fixing up with the heaviest creditors.

Senator KENDRICK. I do not think there is any doubt in the world about the rectness of that statement. I think that is where it is going.

Senator GOODING. They do not do that in my State. They cut down the loan the banks can not get it.

The CHAIRMAN. That ought to be a relief to the Senators who helped to kill bill that Senator Ladd and I stood for.

Senator GOODING. You are not the only two.

The CHAIRMAN. We are the only two that voted for it after the War Finance ard did its work.

Senator KENDRICK. I stood for it because I concluded that it was that or thing.

Senator HEFLIN. I felt that way about it.

Senator KENDRICK. And I believe as Mr. Mozley said, the farmer is not getting the benefit of the law, or the benefit under the provisions of your bill, but they keep these banks from breaking, that does help the farmers.

The CHAIRMAN. I do not deny that.

Senator GOODING. That was disproved over the original bill, but not as far farm production was concerned. I maintain that you are right.

Senator HEFLIN. I voted for an amount to allow the farmers to borrow direct.

Mr. MOZLEY. You can not turn me loose in any part of the United States—

The CHAIRMAN (interposing). It comes to this fundamental difference. One is a proposition to let him borrow money, and the other was to find him a market.

Senator GOODING. What he wants is a market.

The CHAIRMAN. That is correct.

Mr. MOZLEY. You hit the nail on the head. We have borrowed too much oney. Every time there is some money loaned it is an addition to our debt, id as long as these agricultural products are raised at a loss, where are you ing to pay?

Senator HEFLIN. Suppose when the market is dead, and he is forced to dump s products upon it, if he can get money to keep his products off the market til the price advances, it will give him a profit.

Mr. MOZLEY. I am with you.

Senator HEFLIN. You do not mean that you have had too much money, or more oney than you needed to help you get fair prices?

Mr. MOZLEY. We never had the grades. When it comes to marketing times, ts of times we were lost.

Senator HEFLIN. That is when the loans were called?

Mr. MOZLEY. Yes, sir; no banker is in a position out in that country to help s. The money goes from the War Finance Corporation, if you will trace it day—it is going to banks that are going to use it for their customers. It is going to be distributed among a series of banks. I will venture to say in y town, that if you will find where the money goes, in Dickinson, it will go the First National Bank, and that bank only, and it will take care of the eople who patronize that bank, and they will say, "We have helped the rmers," when they have just fixed up their customers.

Senator HEFLIN. It looks like they have arranged to make the farmers the oat.

Mr. MOZLEY. I know the attitude of the distributors, the First National Bank f Bismarck. I know where it will go from there.

Senator GOODING. Your banks do a land-office business. We get a statement rom the war finance. I believe North Dakota receives more money—I am nder the impression that you receive more money than any other State.

Senator LADD. In proportion to its population.

Mr. MOZLEY. Are you from Idaho?

Senator GOODING. Yes, sir.

Mr. MOZLEY. You know what they are doing in Idaho?

Senator GOODING. They have done nothing but take care of live stock. They ave not taken care of the banks in my State; we have a hard-boiled board out here, the closest fisted bankers that you can find. They sent an estimate down here, and they cut it. We have only received \$300,000 for the banks out there, ind we evidently can not get much. I do not know how you North Dakota fellows put it over, but you are getting it.

Mr. MOZLEY. I claim that there has got to be something done at this time that will place agriculture in a fair way to save the homes. The great rank

and file of the farmers to-day are in sore need. It does not make any difference what State you go to, any of the States, and inquire as to the number of tenant farmers there are, and how rapid tenantry is increasing, and how many young men started out on new homes, and have defaulted, through no fault of theirs.

I saw a little group of men in Huron a year ago this last summer. There were 21 young men that came to the city at one time to take the bankrupt. They had been started out on these farms by their fathers' support, and had invested everything they could spare toward buying a home. They bought some live stock in a small way. They were good workers and considered bright, clean fellows. They had gone through five or six years. Mind you, they had had one or two years of the high prices, too, because 1918 and 1919 corn was at its zenith, so were hogs and cattle, but after that period, and the farm products began to go down so rapidly that they had practically a year's stuff on the farm that would not pay one-half of the cost of production. They had given their time and paid their help and gone as fast as they could go, and they said "To-day we are several thousand dollars worse off than nothing," and putting in their energy along that line, talk about winning men back to the farm, saying "Young fellows, go out on the farm; what are you hanging around here for." When a man is on the ground with his stock and machinery, and living there, he knows the fertility of the soil; he knows the cattle and he knows what he can do; if he can not stay there, how are you going to send an experienced fellow there to take his place?

The CHAIRMAN. I think it would be interesting to take your personal experience from 1916, when you were offered \$40,000, up to now. What has been the result financially, speaking of your farming? Have you gone ahead? If so, you made any money?

Mr. MOZLEY. I have lost during that period at least \$20,000.

The CHAIRMAN. Have you had any sickness in your family which accounts for any of it?

Mr. MOZLEY. Not a particle of sickness. We have lost some crops, but the loss of the crops was —

The CHAIRMAN (interposing). You are \$20,000 poorer to-day than you were in 1916?

Mr. MOZLEY. Yes, sir.

The CHAIRMAN. Have you lost anything by investment or speculation?

Mr. MOZLEY. All on the farm. I never invested in anything, nor did any of us, and during that time—there has been myself and wife, boy and wife, one hired man all the time, except in the winter months, and some time we have had two men, and occasionally three men, but the loss in the live stock, the depreciated prices in the purebreds, and also in the grades, and also in the wheat, the price of the wheat that was put in the ground, the price of etc., it all has resulted in the loss of a little over \$20,000. To-day we have which in normal times would be considered worth \$16,000—we will say \$15,000 of purebred live stock. To-day it is worth about \$4,000.

Senator LADD. About the same number of animals?

Mr. MOZLEY. Yes, sir.

Senator GOODING. What has your actual loss been in the wheat? Can you give us that?

Mr. MOZLEY. The loss in the wheat would be practically a little over half.

Senator GOODING. A little over half?

Mr. MOZLEY. Yes.

Senator GOODING. Sixty per cent, do you think?

Mr. MOZLEY. Yes, sir; about 60 per cent.

Senator KENDRICK. Has that occurred from failure of crops, or has the loss been due to the necessity of selling the wheat for less than it cost to produce?

Mr. MOZLEY. The wheat that was raised in 1916 and 1917 was sold at a considerable loss—I could not tell you exactly, but I could tell you if I had my books, because I keep a ledger of my business, as I would in any work.

Senator KENDRICK. One question more. You have noted the fluctuation in value of the manufactured article of the product after delivering it to the consumer; has the consumer benefited by that decline which you have taken in the price of your product after you delivered it?

Mr. MOZLEY. No. The manufactured articles to-day are all higher than they have been at any time before the war. They will average from 50 to 100 per cent higher than they were at that time. You take a binder on the farm, and

binder to-day will cost \$226 in our country, and the last binders we bought we bought at \$125, and that was in 1915.

Senator GOODING. What were they last year?

Mr. MOZLEY. \$226 for this year.

Senator GOODING. What is the highest point they reached?

Mr. MOZLEY. \$275; so their prices are way above what is reasonable to-day.

Senator KENDRICK. In selling this wheat, you have been required to take less than the cost of producing it?

Mr. MOZLEY. Yes.

Senator KENDRICK. Has there been a corresponding decline in the price of that flour, made from that wheat, after it reached the consumer?

Mr. MOZLEY. The flour has always been higher in proportion than the wheat. Is that what you mean?

Senator KENDRICK. That answers it, in part. In other words, we will say you sold wheat at \$1.50, and suppose you would be required to take \$1. The price of that flour delivered to the consumer has not declined in proportion?

Mr. MOZLEY. Oh, no. It has been practically 25 to 50 per cent higher in proportion than the price of wheat.

The CHAIRMAN. We will adjourn until 10.30 o'clock to-morrow morning.
(Whereupon the committee adjourned until to-morrow, Wednesday, February 15, 1922, at 10.30 o'clock a. m.)



STABILIZING THE PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

WEDNESDAY, FEBRUARY 15, 1922.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee reconvened pursuant to adjournment at 10:30 o'clock a. m.
Present: Senators Norris (chairman), McNary, Capper, Gooding, Ladd, Smith, Kendrick, and Heflin.

STATEMENT OF MR. WILLIAM J. MOZLEY, OF DICKINSON, N. DAK.— Resumed.

Mr. MOZLEY. Mr. Chairman, I would like to add that I am ready to support bill 2897, in relation to the appropriation for the purchase of seed grain to supply farmers in the crop-failure areas in the United States, under the rules and regulations prescribed by the Secretary of Agriculture.

The CHAIRMAN. That amount would be inadequate?

Mr. MOZLEY. Yes, sir; but I support the bill. At this time I would offer a resolution that I received from the Minneapolis Trades and Labor Assembly, dated February 9, 1922, and I offer this at the request of the secretary. I will just offer this, so that I need not take any time in reading it.

(The resolution referred to is as follows:)

To the CONGRESS OF THE UNITED STATES:

Agriculture is to-day on the verge of utter collapse due to lack of credit and low prices on farm products.

Both credit and control of prices are, under the present system of doing business, completely in the hands of big business and subject to its control.

Moreover, labor looks upon the tillers of the soil as their brothers in the industrial struggle and recognizes that a blow struck at the farmer is an indirect thrust at the worker. Destruction of the one means ruin of the other.

Therefore, the M'neapolis Trades and Labor Assembly, representing the allied trades of workers of the city, demand that Congress enact legislation that will guarantee the farmers of the country an adequate price for wheat, and further demand that the United States Grain Corporation be revived to handle the grain from the producer to the consumer, and that this legislation be kept in force for a period of at least five years.

(The trades above referred to represent 25,000 men.)

Mr. MOZLEY. I would like to speak for a few minutes in relation to what this Government did for the railroads. Those are old matters that have been hashed and rehashed, no doubt, but I consider that the way the railroads are allowed to go on under the guaranty, that it worked a great hardship upon the people of the United States. It allowed them to go ahead and function without any guaranty upon their part, or if there was any guaranty upon their part they have fallen down greatly. They allowed the rolling stock to run down, also the roadbed.

They have got big stocks of material that they purchased during this guaranty that is laying in the yards at different places. At some places they have acres of crossties and at other places large amounts of material. They are now at this time building as never before, and rebuilding box cars and other cars, and putting their stuff in the finest shape, which will, in my judgment, all be charged up against cost of operation, and will help to show a loss in earnings.

Now, we as farmers do not come to this Congress and ask for any concessions. We do not ask that you give us a guaranty on our business. If we did, you would have a big elephant on your hands, because the loss to agriculture in the United States in the last two years could not be met with any such amounts as was guaranteed the railroads.

You can take any line of cropping, growing, or stock raising in the past two years, and it has been done at a tremendous loss and sacrifice. The parent stock which was carried over from 1918 and 1919, and on down—a great deal of this was accumulated at a tremendous price. Cattle purchased for breeding purposes during those years were bought at a price four times what they are to-day. The stock that has accumulated, in the way of sheep and cattle, was bought under those prices. We were told at that time by the Food Administrator to produce everything possible in the way of grains and live stock, increase our herds, conserve what we had, and do all we could to feed the world, because after the war we would be called upon for the greatest amount of food stuffs ever known. The farmers responded to that call. We went on in the face of adversity; we knew what we were working under. We planned tremendous crops, which we would not have done under any other consideration, only to be able to do our part in support of this great universe. The consequence is that to-day it has broken millions of people, and it was brought about mainly by the deflation which was ordered by the Federal reserve banks a year ago and two years ago. Now, you may say that this is a pretty broad statement and I believe it is, but I believe it can be traced back. If I did not think it could I would not make the statement that the banks, in connection with the Federal reserve, were told to force the farmers to liquidate, and when that order came it was carried out in a great many places, and when they were forced to liquidate the price of live stock and of grains immediately began to tumble and then went down the scale so rapidly that the people could not get the grain or cattle to market to take advantage of the prices prevailing at that time.

Hence, the forced liquidation commenced with the producer, and I maintain this, that if the producer had been left alone for a little time, and they had used the ax on the other end, which they could have done, instead of the amount of money piling up in the big centers, and big manufacturers during the period of the war—if they had begun at the top instead of at the bottom, they would not have disturbed the country to-day scarcely at all.

Farmers would have been able to pay their debts, and then that would have reflected all the way along the line. Whenever you take away from the farmer one-half of all he produces it must reflect. It can not help but reflect on every business it comes in contact with, clear back to the center.

The Finance Corporation is going to do considerable good, but the facts still remain that in the handling of live stock and crops of the farm it does not matter what you attempt to do. I can see no future for live-stock men or farmers under a system whereby the large banking interests of this country can order or cause a deflation or an inflation at will, and they certainly can do it. There is no use kidding ourselves and making ourselves believe that the natural evolution will bring about the times we want.

Senator SMITH. Let me ask you a question there.

Mr. MOZLEY. Yes, sir.

Senator SMITH. Don't you think, or do you think—I am just asking the question—at the present status, the present condition throughout the country is now largely one based on the very observation you have just made, that though the per cent of rediscount may be lower both in the rediscount banks and primary discounts, that your own bank may be lower—the farmers, as well as certain business men, are afraid to assume certain liabilities, though the rate of interest may be enticing and conditions may be propitious, for fear that what has occurred may occur again, and when he has assumed these liabilities and invested them in productive enterprise about the marketing time, there may be another squeeze and he be caught in the same condition.

Mr. MOZLEY. Every word of that is true. That is exactly the condition of the people at large to-day. They have that very idea.

Senator SMITH. Now, therefore, in order to bring about a condition of confidence and faith, there must be some legislation or something new that will restore confidence in him, that if he invests and ventures out again in productive activities, that we are going to have a demand for, that he will not be made the sacrificial object of the sweet will of those people.

Mr. MOZLEY. Yes, sir; correct.

Senator CAPPER. What legislation now would you suggest along that line?

Mr. MOZLEY. Well, I maintain there is only one chance, and that is putting pretty broadly, to restore confidence in agriculture, and when you restore culture you restore the business of the country at once. There must be an of Congress that will stabilize the food production of this country and care of it through some system direct to the consumer.

Senator SMITH. May I ask you this question? If there was some legislation which, while not guaranteeing a minimum price, but which would guarantee him the use of funds based upon his production, at a reasonable rate of interest, with a guarantee, or with sufficient assurance to him that under law that for a period of time, one year to three years, or four years, up to the cost of production, as ascertained by reliable sources, he could maintain or hold the use of that as long as he paid a reasonable interest?

Mr. MOZLEY. I think that would be a pretty tangled affair before you got through with it.

Senator SMITH. No; you have commercial paper now, based upon 30, 60, 90 days, under a provision of the Federal reserve law; you have a provision of six months for agricultural paper, but what I am getting at is this: the agricultural world can be assured that adequate provision had been made mandatory, if you please, that when he has produced a certain staple agricultural product, that he can go directly to a certain established institution for that purpose, and realize on that staple agricultural product at least cost of its production at a fixed rate of interest, that he knows he could do that for one to three years without being disturbed?

Mr. MOZLEY. That would help materially, sir.

Senator LADD. That would be stabilizing the price.

Senator SMITH. It would, in another way.

Mr. MOZLEY. Yes, sir. To-day the great trouble is this: Go to the farming district, and go to a banker and ask him for money to tide you through the winter. You get it, but that tacks on 10 per cent from that minute, and there is more 10 per cent money used in agriculture to-day than any other point that is used, especially in the Western States. Idaho, in her live-stock transaction, I understand, is going to handle that for 6 per cent.

Senator SMITH. When you speak of 10 per cent, do you mean 10 per cent the par of the loan, or do you speak of 10 per cent discount?

Mr. MOZLEY. Ten per cent on the par of the loan.

Senator SMITH. In some States, for instance, where the legal rate of interest is 8 per cent, and you negotiate a loan for the production of a crop, they count your note and take the discount out, and give you credit for the advance?

Mr. MOZLEY. Yes. They charge you a straight 10 per cent on the note as it runs.

Senator CAPPER. Do you find in your State the fact that the prevailing interest paid by farmers is 10 per cent and is interfering with the administration of the war finance act, and that farmers and stockmen are unable to borrow war finance money because of the opposition of the bankers or their unwillingness?

Mr. MOZLEY. Yes, sir; that is one thing that greatly deters getting that money. They would rather loan their own money.

Senator CAPPER. At 10 per cent; and do not want the competition.

Mr. MOZLEY. Yes, sir; and there is nothing mandatory in connection with the banker getting this money. He only gets it when he is pressed and can clean a few of the obligations between him and his customers. That is not really functioning for any benefit in our State.

There has got to be something done in the way of stabilization that will make it possible for the farmers to pay their debts some time. When you back over a period of 12 or 15 years, and take a bunch of men that have been on the job all the time, good, hard-working, systematic farmers that have been there for the purpose of building up a real home. You go out and make survey of that, as I have made it in the past two or three years. I made a survey of South Dakota from end to end, and I made a survey of Minnesota practically from end to end, also North Dakota, and I have been in touch with men from Iowa, on-the-ground farmers from Idaho, from Kansas, Oklahoma, Montana, and different States, and I find the same thing prevails over. It is a fact we can not dodge. There is no use saying that this system will work around for our good, because it is so ordained that at any time when we have reached another—we say, for instance, now, at this time

the farmers are on the verge of prosperity. That is an optimistic view, and I am glad they take it, because if there was a pessimistic view to-day of the people all over the United States. I do not know what would happen. But as this matter drifts along, and you get a little relief today, and the people are more optimistic, and go again in the spring and plant a crop, the chances are the next coming year will be a fair season, and the farmers will say "Boys, we had a hard time a year ago, but the thing is getting brighter; right ahead and put this thing on the map. We will raise all the stock we can, and all the wheat and corn and that sort of stuff, because business is picking up, and the more we raise the more debts we can pay off."

Gentlemen, the fact is the more you raise the less you get for it, and Secretary Wallace said here in one of his talks—I saw the remarks he made—he said he thought products should be decreased. I would like to ask the Secretary how far he would go with that. That is kid's play when you talk like that.

This world to-day needs every grain of food in the granaries of the United States, and if there could be something done to-day, so our products could go in foreign countries, our prices would rise immediately.

I would like to ask if any of the gentlemen here have any information to the amount of wheat contracted by the millers or the grain men; how much was it a year or so ago, to fill foreign contracts?

The information that I have received—and I do not want to quote anything that I do not know is correct, but this is, I believe, correct—there were 500,000,000 bushels of wheat on one contract to be shipped abroad, carrying it over a few months. I think it was over a period of six months that they were allowed to fill a contract, and the reason that I took particular note of that was that I noticed from that time on the grain was on the toboggan all the time, all the time, but the grain was contracted for at a time when the grain was at its zenith.

We might just as well face the facts, and look into the future with open eyes and try to get down to something that is concrete. I am sure that a proposition that will restore agriculture, and leave it so that agriculture can be worked out, so that the people on the farms can own as good homes as anybody owns—we must have such a proposition as this. Why build up the cities and leave the producers of the country living in sod houses and shacks?

If you men will go out and make the trip that I made in the last two years and interview the different people; I have gone and seen them in their homes and asked them the conditions, and tried to find out how they were. Gentlemen, the country is in a sad plight. Mortgages are increasing all the time, all the time. This country to-day is in debt over \$100,000,000,000, and placing the interest at 6 per cent, you can see the interest that has to be paid. Where are we going to get off at? And talk about loaning the people more money! It can't be done.

Senator SMITH. May I ask you a question?

Mr. MOZLEY. Yes; Senator.

Senator SMITH. You spoke a moment ago about the officials of the Government asking you to produce, which you did, and you responded, you farmers to the fullest extent.

Mr. MOZLEY. Yes, sir.

Senator SMITH. Those crops were produced at that time, as the record will show, at the very peak of the cost of production?

Mr. MOZLEY. Yes, sir.

Senator SMITH. I presume a little more than a normal crop, both of grain and textiles, was produced. Beginning with May, and reaching almost its maximum depression, right at the harvest time, and at the marketing time, left a deficit or an indebtedness, which, measured by the price that they obtained for their product, as compared with the cost of that period, that, in my estimation, would consume, in order to liquidate it, the present price of two normal crops, without providing a cent for the upkeep of the farm and the cost of the product in the next two years?

Mr. MOZLEY. That is right.

Senator SMITH. Those are the conditions any man can figure out. If the farmers of America were to produce a normal crop for 1922 and 1923, and produce it for nothing, eliminate the cost of production and handling, and place it on the market at the present market price it would not more than liquidate the indebtedness incurred in producing the crop of 1920 and 1921?

Mr. MOZLEY. You are right.

Senator SMITH. What hope is there for him to enter into another crop production, knowing the cost of production, the incidents of the seasons, and the general expense incurred, to have hanging over him that debt incurred under abnormal costs, and a depreciation in price that did not in anywise approximate even the cost of production, with that debt hanging over him, and uncertainty of the market—what is the use to borrow for it?

Mr. MOZLEY. There is not any, and I say the more money that is loaned under those conditions—this system, the marketing system we have—there is not a host of a chance for him.

Let me show you by one farmer, a man by the name of Miller. He lived miles directly south of Dickinson, a man that owns two sections of land, a man who has been there since the early days. He never hired a dollar's worth of work on his farm. His boys were at home, so that they were with him and helped him, and the girls were home, and they were all hard working, and we consider this man one of the best farmers we have got in the country. Up to the time the war came on Mr. Miller had between \$15,000 and \$16,000 in the bank, and he farmed all he could farm. He even went out and bought a tractor to raise more crops. He said, "They need the wheat and I am going to raise it," and he went out and bought a quarter section of school land, adjoining his farm, in addition to what he had, and rented another quarter of that same land, and he plowed it up, I think over 1,000 acres, and he is a man that raised lots of cattle, and had lots of cattle at that time, as he is a diversified farmer. I talked with this man less than two months ago. I said, "Mr. Miller, how is everything?" "Well," he said, "We are alive and going along just the same." "Well," I said, "You know I have been pretty hard hit over here; you are just 2 miles from me; we are neighbors, and sympathetic in his work; what do you think about it?" "Well," he says, "If it goes this way I have got to stop." He says, "I am \$9,000 in debt." There you are, and he never borrowed a dollar in his life until lately.

He acquired these lands for homesteading, for himself, and a homestead for one of his boys, and then he bought some railroad land, and the highest he ever paid was \$25, that he paid for a quarter of school land. Now you say, "Mismanagement." They always throw in "mismanagement." They say, "You fellows do not work hard enough or manage right. If you fellows would go on home and go to work instead of talking—leave the talking to us. We will take care of you."

Senator HEFLIN. While I was out you made some reference to the deflation policy of the Federal Reserve Board.

The CHAIRMAN. Suppose you let him finish this incident of this man?

Senator HEFLIN. Yes, sir; I thought you were through.

Mr. MOZLEY. Mr. Miller wanted to start his boys out as they became old enough, or they wanted to get married, and he wanted to place them on a farm, or a piece of land, and he said, "John, you can have this half section," and, "Bill, you can have this," and, "Tom, you can have this, and the old lady and I will keep the home place. We will work together, but this is yours. I will leave it to you." He had to absolutely mortgage the home place to build a little common house for each one of these boys, to start them out, after raising those boys, and all working together, as I said, before he could build up the home, and have a home later there. They are to-day down, down, down, and nothing in the future for them.

The CHAIRMAN. When was it that he had \$15,000 in the bank?

Mr. MOZLEY. 1916.

The CHAIRMAN. When was it that he was \$9,000 in debt?

Mr. MOZLEY. This last year.

The CHAIRMAN. Has he suffered any calamity in the way of sickness, or doctor's bills?

Mr. MOZLEY. No, sir. Not that I know of, and I knew him all the time.

The CHAIRMAN. Have they done anything except farm?

Mr. MOZLEY. That is all.

The CHAIRMAN. Any speculation?

Mr. MOZLEY. Never speculated a dollar. The only thing he ever did was to take \$500 of stock in our cooperative elevator.

The CHAIRMAN. He did not lose any money by that?

Mr. MOZLEY. No; the concern is in good shape.

Senator CAPPER. Is he engaged in wheat growing?

Mr. MOZLEY. No; cattle by the hundred, and feeding cattle for the market, the same as I did.

The CHAIRMAN. He raised wheat also?

Mr. MOZLEY. Yes, sir; wheat, oats, barley, corn, and diversified farming.

Senator SMITH. So this loss that he sustained was the result of the cost of production?

Mr. MOZLEY. Yes, sir.

Senator SMITH. Outstripping what he got for it?

Mr. MOZLEY. Absolutely.

Senator HEFLIN. I was remarking a moment ago, as I understand, you made reference to the deflation policy of the Federal Reserve Board. I have been asserting time and time again on the floor of the Senate that the deflation policy of the Federal Reserve Board cost the farmers of the United States millions of dollars. John Skelton Williams, former Comptroller of the Currency, pointed out that at one time, I believe, in November, 1920, they were loaning to farmers of 18 States \$15,000,000, and about \$300,000, while they were lending to two banks in New York at the same time \$250,000,000. This is only one instance where a thing like that occurred. New York was getting all the money she wanted all the time, and the South and the West were not getting the money they needed to help them tide over the time that was brought upon them by the deflation policy.

I have contended that if the farmer had been granted credits to have kept his crops off the market, that nobody could have gotten any of his product unless they would have paid him a price to cover cost of production, and give him a profit. Is that right?

Mr. MOZLEY. Yes, sir.

Senator HEFLIN. Here is an editorial sent me by a gentleman defending the policy:

"His assertion that the reserve board has discriminated against the farmers has been disproved time and time again."

Do you agree with this paper, or do you agree with my position?

Mr. MOZLEY. I agree with your assertion, absolutely.

Senator HEFLIN. I just wanted that to go in the record. The gentleman who wrote that editorial was kind enough to send it to me, and I wanted to get a statement from a farmer who knows the situation as Mr. Mozley does.

Mr. MOZLEY. To corroborate what you said, I want to call attention at this time to a banker in our town. He is a man connected with four banks, and he would have been here only from a misunderstanding. He is the head of several banks—he is president of four banks. He denied getting any of this money, or refused to use any money of the Federal reserve. He absolutely refused to use any of the money from the War Finance Corporation, and he told me why he did not use it. He said he did not like their methods, and "When I found this system, a system which I knew would reflect on us later at home, it would get us into trouble," he said, "I absolutely refuse to do business with them," and I said: "Why don't you take some of this now, because it will help us farmers?" and he said: "I can go to the Twin Cities and get money from the Twin Cities, where my credit is ample, so I do not have to call on any farmers at a depressed time," and he was going to be here and testify, only for a misunderstanding as to the date.

Senator HEFLIN. His idea was that if he got it from the Federal reserve, under the policy of the Federal Reserve Board, he would be called upon to pay and sacrifice his property, and they would not permit him to renew until he gets on his feet.

Mr. MOZLEY. That is it.

Senator CAPPER. Why did he not take advantage of the war finance offer?

Mr. MOZLEY. I think I can answer your question in a satisfactory way. The war finance money, when it was offered first, was for three and six months, and there is a provision in there which says it may be extended, does it not?

Senator CAPPER. Yes.

Mr. MOZLEY. Then I would like to ask any man—I do not care who he is—how a stock raiser or a wheat man is going to handle himself under that law. What are you going to do when, for instance, now I would say to the banker at home, "I want \$2,000 this spring to put in my crop. I am going to plant 800 acres." "All right; we will let you have it for six months." When the six months comes I must pay it if they so order, must I not? That is the condition we want to get away from.

The CHAIRMAN. You know when you get it you can not pay it in six months? Mr. MOZLEY. If you did you would sacrifice your crop.

The CHAIRMAN. Yes; that is what I mean.

Mr. MOZLEY. And in sacrificing your crop that is the thing that keeps the farmer's nose on the grindstone to-day and has brought him to this condition. There was some system of finance—I do not care what it may be—to keep a product off the market until he saw fit to sell it, it would certainly be a help.

Senator McNARY. There is a bill pending in either branch of Congress authorizing the Federal Farm Loan Board to accept farm credits for 3 and 6 months, and up to three years. It had the endorsement of the chairman of the conference, and was a product of the Joint Committee of Agriculture, which meets the situation described and which I think should be made. That a matter which is now receiving the attention of Congress.

STATEMENT OF HON. FRANK K. MISH, MEMBER OF THE MARYLAND STATE LEGISLATURE, HAGERSTOWN, MD.

Mr. MISH. Mr. Chairman and gentlemen of the committee, I bring you greetings from the Maryland Legislature. We have had quite a discussion of agricultural affairs at Annapolis, and I had passed this resolution through the Senate yesterday afternoon. The resolution recommends the stabilization of certain basic farm products, which I will read:

FEBRUARY 14, 1922.

A RESOLUTION Recommending the stabilization of sundry basic farm products. Whereas the basic industry of agriculture is now in the depths of the greatest depression in the history of the Republic, in which over 40,000,000 of our farmers have lost their purchasing power; and Whereas the loss of this purchasing power is reflected on the paved streets of our great cities where more than 5,000,000 jobless, helpless, breadless workers tramp the highways seeking work that can not be found; and Whereas the helpless farmer can not help the helpless industrial worker on account of his own helplessness and lack of organization; and Whereas the National Government insisted on a price guaranty and stabilization of markets for farm products during the late World War when the farmers did not need and did not want it; and Whereas the time has now come when they do need it and do want it, not only for their own welfare but for the welfare of the entire Nation. Now, therefore, be it

Resolved by the Senate of Maryland, in session assembled, on this 14th day of February, A. D. 1922:

First. That we recommend and urge upon the President of the United States, the Senators and Representatives of the State of Maryland, in Washington, that they quickly cooperate, unite, pass, and approve a bill for the immediate stabilization of at least three of the basic products of the farm, for example, at least, to pay the cost of production, but not exceeding wheat at \$2 per bushel, corn at \$1 per bushel, and wool at 60 cents per pound, all of which command the power of precedent, in that the United States Government has already decided it to be right, proper, and legal to stabilize by the guarantee of a minimum price these products of the farm at a time when neither the country nor the farmer needed such stabilization. How much more necessary, therefore, is it now to stabilize these products in order that prosperity may return, not only to the fields and furrows of the farms, but that, with renewed purchasing power, the farmer may start again the wheels of industry and provide jobs for the jobless, help for the helpless, and bread for the breadless.

Second. That the United States Grain Corporation be revived with a fair and friendly board of directors and provided with one-half the capital that is heretofore used to exploit and plunder the farmer who was more interested in winning the World War than in the winning a competence against a day of misfortune, which has now arrived.

Third. That a copy of this resolution be mailed by the secretary of the Senate to the President of the United States, to the Maryland Senators and Representatives, and to the members of the agricultural bloc in Washington, that they may be encouraged to continue the work for the farmer which they have thus so nobly carried on.

I hereby certify that the above resolution was adopted by the senate Maryland at its session on February 14, 1922, by yeas and nays as follows:

Yea 24, nays 4.

By order.

E. R. CROTHERS,
Secretary of the Senate.

Mr. MISH. You may know, or not know, that the Maryland Senate is largely filled with Baltimore lawyers, doctors, and professional men, also manufacturers. We have a sprinkling of farmers, of which I am a representative.

I am probably the largest producer of grain in western Maryland. I produce from 16,000 to 17,000 bushels of wheat and about 40,000 to 45,000 bushels of corn.

I told the governor of our State when I arrived at Annapolis that I hoped the session and the legislature would stand for economy, for I said, "Governor, I have paid my taxes to the State of Maryland, but I would rather, Governor, that you would take the net income from my products and leave me the tax."

I feel that I would be much better off; and what my condition is is a fair indication of what the condition of the average farmer is, because my land is of a better quality and in a higher state of cultivation than the average farm in the State of Maryland.

Now, I happen to be the president of a farmers' cooperative company in Washington County which numbers between eight or nine hundred farmers. I come in contact with all classes of farmers, as perhaps no other man in western Maryland does, and I see the dreadful condition in which agriculture has slumped.

One of our members in Washington County grew his crop to maturity, was forced to sell it for one-half, and then was forced to make sale of his farm implements, and he came back and told me he had been able to sell between \$2,000 and \$3,000 worth of equipment but had not gotten enough cash to pay the auctioneer and the clerk at the sale. It was all notes.

Take the case of Kretzinger, an honest German farmer, farming the best farm in Washington County. He came to me in distress and asked me to help him sell his products. He said he was bid 95 cents for wheat. I helped him sell his products, and got \$1.05 for it, and I said, "Why don't you hold your products?" He said, "I can not." The poor fellow was absolutely distressed. He sold his product, and within 10 days or so afterwards he was taken by a disease and never recovered. He died; and I think, gentlemen of the Senate, that that casualty is due to deflation.

Take the case of McBride. McBride and his father came to Washington County from the hills of West Virginia with savings of a lifetime and a half amounting to \$7,000 or \$8,000. He bought one of the best farms in Washington County. He planted it and watched his crops grow to maturity. I sold his crop, but before I sold it I asked him if he could not hold it. I sold it for about 10 or 15 cents more a bushel than he would have been able to get. He paid it all out in expense. The mortgagee closed in on him and he was put out of his house and home; and he, with his aged, decrepit father, were forced to go back to the crags and hills of West Virginia as a better and more favorable asylum than the fertile fields of Washington County.

Take the case of Metz. He had a little farm. He planted it to wheat. He watched his crop grow to maturity. Then he came to me in distress, as the other farmers did. He sold his crop for less than it cost him. Ten days afterwards the mortgagee foreclosed his farm, the property was turned over to him, and he was turned out of his house and home; and the last I heard of him he was in the Washington County poorhouse, in the department of the indigent insane—absolutely lost his reason. He could not go on.

Senator CAPPER. If conditions are like that in Maryland, what do you think the conditions are in Kansas?

Mr. MISH. My God, I do not know.

Senator CAPPER. Where railroad rates are one-third higher, and the interest rates 25 per cent higher, and labor 35 or 40 per cent higher, and a great many other things.

The CHAIRMAN. Well, Senator, you have mentioned a thing here that I have known for a good many years, although I never mention it because people laugh at me. I am very well acquainted with an expert physician, who has charge of one of our insane institutions. He gave me some statistics, that do not happen to have here, on insanity, which demonstrated that in the western country most of the insane people came from the farm.

Mr. MISH. I have heard that.

The CHAIRMAN. And the increase of insanity was amazing, whenever we had a failure of crops, that the women particularly, who, in the western country, have been taken away from civilization, more than they would be in Maryland, settling up a new country and living in a sod house, and when the depression came all their property disappeared; a very large per cent of those people, very high-class people coming from the east, went insane, and the insane asylums were crowded, whenever there was a depression in agriculture; the insanity went up and down, according to the prosperity.

Mr. MISH. I believe it, because they have no other resource in stopping these things. It certainly is dreadful when conditions are such as I have stated.

Senator McNARY. Did this resolution that you have just read pass either branch of the Maryland Legislature?

Mr. MISH. Yes, sir.

Senator McNARY. Was it practically unanimous?

Mr. MISH. The Baltimore city lawyers fought it. It carried, nevertheless. I will read the vote on it:

"I hereby certify that the above resolution was adopted by the senate of Maryland at its session on February 14, 1922, by yeas and nays, as follows: Yeas, 24; nays, 4.

"By order.

"E. R. CROTHERS,
Secretary of the Senate."

The Baltimore city lawyers put up a very stiff fight.

Senator McNARY. Was it brought to the attention of the lower branch of your legislature?

Mr. MISH. No; it was not. We only put it through as a resolution. The lawyers used all of their tactics against me. The first time I brought it up it was defeated. It included cotton, fixing the price at so much. We say, "The cost of production, not exceeding so much." They made a terrible fuss about wheat, \$2 a bushel, although mine cost me over that, and we had in there something with reference to cotton, but we took that out.

Senator HEFLIN. So you left cotton out?

Mr. MISH. It was referred to the committee on Federal relations. I went up there and got into a fight, but got an unfavorable report. I then changed the resolution, and introduced it in this present form, and it went through, after a hot debate. We took nearly all yesterday afternoon, and I assure you the lawyers put up a hot fight.

Senator HEFLIN. Maryland does not produce any cotton?

Senator SMITH. They supposed that cotton was so dead it was unnecessary to bring it to life.

Mr. MISH. No; Maryland does not produce any cotton. I had it in my resolution, as I think agricultural people should stand together. This is the play I made. I said, "Gentlemen, the farmers are in a hole, and if you do not help them out, and the general Government does not, they will pull you into the same hole. You are practically chained to a dying industry, and you are in the same position, a living man chained to a dying man. If that man dies you are chained to his corpse, and the situation will be bad enough, and that is the situation we are in." I made this argument, that every other class of people except the farmers have their union.

In Washington County, in the city of Hagerstown, the masons to-day are charging \$1 per hour for work, and they have no labor to sell for less than \$1 per hour. One of our members of the cooperative society, who had saved some money, told me he had paid \$1 per hour. I said, "You are not getting 5 cents per hour." He said, "What else can I do; there is no other price, and I have my wife and child, and I must have my home?"

I will talk in reference to the railroads. I ship a great deal of grain and hay for the farmer. I can sell hay in the South for \$25 per ton, but when I go to the railroad they ask me \$11 a ton to put it in a southern market. I can not pay \$11 out of \$25. It took a year to raise this, and it only takes them a day or two to haul it. "Give us cheaper transportation," and they say that they can not sell transportation for less than \$11 a ton. I go to four or five railroads, because there are a good many railroads in Hagerstown, and it is \$11 per ton everywhere. So, you see, the labor unions have their prices fixed on one side, and the railroads have the price fixed on the other side, and we are between them, being ground like grain between the millstones. We have no union at all, except the Federal union, and that is the union to which we will appeal in this case.

I tell you, gentlemen, that the farmer is the foundation of society. As I came through the Union Station the other day I looked up and saw the following legend inscribed:

"The farm, the best home of the country, the main source of agricultural wealth, the foundation of civilized society," and I will tell you that conditions are now shaping themselves up so that they will shatter the foundation of the Republic itself, unless Congress comes to the rescue.

There is another point I will make; the Baltimore Sun did me the honor to put me in the editorial column and said my heart was all right, but my head left a good deal to be desired. They went on to say that it would cost this country \$500,000,000. I said, "Gentlemen, your figures are puny; when wheat was bounding toward \$5 a bushel, the Government came in and stabilized it at \$2.20, and we only got \$2." Say it went to \$4. They took \$2, and they did it for three years, making \$4,500,000,000, and that is a return to the farmers. I claim the Government owes them that; this is their due, and now we are going to Congress in our distress. It is a poor rule that does not work both ways. "What is sauce for the goose is sauce for the gander," and I claim that the farmers have as much right to look to the Government in this case as the Government had a right to look to the farmer in connection with that \$4,500,000,000, which was taken from them. Now, we figure any other bank depositor who deposits his money with a reliable and respectable bank; we feel that we have a right to draw on this account. It did not cost the Government but very little.

In Washington County I conceived the idea that the cooperative company would be a good thing. The farmers are very slow. In the East they are slower than they are in the West, and they did not know whether organization would pay. I told them that they would not lose anything, because I was going to guarantee for the period. I am able to do it, and I rented the room and guaranteed the payment, got a bookkeeper and guaranteed his salary, and a salesman, offered to take \$25,000 from the farmers and guaranteed them \$25,000 plus interest on it. Then they all came in, and I want to say to the gentlemen, that we have saved in Washington County for the farmers over \$100,000 on the wheat crop alone, and it has not cost any of us a cent. We are merchandising that wheat, making war on the profiteers, but I am at the head of my line. I am getting for the wheat all that is possible to get for it. I have raised the Hagerstown market to the Baltimore market, but I can not raise it further. There we are, and we have to look to a union that is a union of the Federal union. We want to join your union. We want all the farmers of the United States to join this union, 40,000,000 strong; they are the foundation of the Republic. We want to join your union, and we want you to stand by us as we stood by you in your desperation and in your need, and I will tell you this: If I were John D. Rockefeller, as I guaranteed the farmers in Washington County, I would guarantee the Government against loss. The reason is, we were able to do so much for the farmers in Washington County was because we shipped away the surplus. I shipped away 100,000 bushels. I raised over 1,000,000 bushels of wheat. I shipped that out of the country, and while I handled only 1 car in 10, that car fixed the price. The trouble is that is dragging the wheat farmer down is the export business.

If the Government would take care of seventy-five or a hundred million bushels of wheat, the fact that the Government came in would put it up to 25 cents or 30 cents a bushel, and if they took 100,000,000 bushels of wheat they could merchandise it without any loss, and, as I stated before, if I were John D. Rockefeller, I would guarantee the Government against loss. That is the present situation. Either the farmers have got to be raised up or the other people have got to be dragged down. A good solution would be to raise the farmers up and bring the others down, because it is a positive fact that machinery will not run out of line. It will cut itself to pieces and be ruined. This position is necessary. I do not see, gentlemen, why this deflation should go on.

I used to be a president of a bank and was associated with price and privilege, and I do not see the necessity of bringing prices to a prewar basis. I do not think they ought ever to be brought down. The Government itself does not pay its debts. You owe \$25,000,000,000. That was equal to 10,000,000,000 bushels of wheat. Now it is equal to 20,000,000,000 bushels. You can not deduct the 20,000,000,000 bushels from the farmers in this country for your salvation.

Some of you gentlemen here are as old as I am. Do you remember the campaign of 1896, when Bryan ran? Do you remember that we bankers all s

that he was an anarchist, and to pay a 100-cent dollar with 50 cents was a crime? I was in the bunch. It was a crime to pay with a 50-cent dollar a 100-cent dollar. These powers of price and privilege insist that it is a crime to pay a 50-cent dollar with anything less than a 100-cent dollar. Remember that. The same people that demanded that they should not pay a 100-cent dollar with a 50-cent dollar are now hounding the people, the agricultural people, to pay a 50-cent dollar with a 100-cent dollar, and you can not do it. It would be foolish if you tried it; but you might raise the farming population out of its misery, and I tell you, gentlemen, you can not do anything better. It would only cost the Government the price of a battleship. If it was 100,000,000 bushels, it might be \$35,000,000 or \$40,000,000, the price of a battleship, and that is all they would be called upon, in my judgment, to raise, and I think it would be the greatest blessing that the world has ever known. It would help us. It would help the farmers and business and everything and everybody, if they could just get the situation brought up to that point where the farmer could get a living wage for what he produces.

I could talk on here a good while about this thing.

Senator KENDRICK. What price do you recommend for wheat?

Mr. MISH. The cost of production, not exceeding \$2 for wheat, and not exceeding \$1 per bushel for corn. My wheat cost me over \$2, but whatever you gentlemen would find the cost of production to be, and I suppose you would have as good facilities to find that out as anybody else.

When wheat was up a little bit in price they all said that the farmers would drown you with wheat. Did they? Not at cost.

Senator KENDRICK. Would you recommend fixing the price at any specific or definite amount for the purpose of stabilizing the whole crop? That is your idea?

Mr. MISH. I would; yes, sir. You have a bill before you. What price does that name?

Senator LADD. \$1.50 on wheat.

Mr. MISH. That is the guaranteed price?

Senator KENDRICK. It is your idea by so doing that you would suggest to the farmer one year in advance as to just what he might expect?

Mr. MISH. Exactly.

Senator KENDRICK. So you take him out of the gambling business?

Mr. MISH. Absolutely. If the Government had to take 50,000,000 or 100,000,000 bushels of wheat, it would not be a bad thing to have stored up in the elevator against a rainy day. It is just as well to store up wheat as it is to store up gunpowder.

If the Russian Government to-day had stored up 100,000,000 bushels of wheat, instead of gunpowder, such conditions as prevail there at the present time would never have occurred.

I had some friends that returned from Russia who told me that they went into a village where there was not a living thing, not a cat nor a dog nor a crow. People were lying dead in the streets with nobody to bury them, and if the Russian Government had been as prudent as an ordinary housewife such conditions would never have occurred. Things like that happened in the Volga Valley, and happened because of the improvidence of the Government. Would it not be better to store up 100,000,000 bushels of wheat against such a catastrophe as that? They thought perhaps in Russia it would never come, but if the rain would cease to fall for nine months, and if we did not have any credit, we would be in the same condition as Russia. It is no bad thing to store this wheat up.

If I were able to do it, as I said before, I would guarantee the Government against loss in a matter of that kind, just as I guaranteed it to 800 farmers in Washington County. When I believe in a thing I back it with my money, and I believe in wheat. If you men think of it in the right way you have the greatest opportunity of any body of men in history to come to the rescue of your own country, and if you can rise to the point of statesmanship and go to the rescue of these people you will be doing an act for which all future posterity will laud you. You see I am interested in it. I have no other business than farming. I used to be a banker, but I would rather make \$5 out of a farm than \$10 out of the bank.

Senator LADD. We neglected to have you state your name.

Mr. MISH. Frank K. Mish, Hagerstown, Md., member of the Maryland State Senate. I will say that my people landed in this country in 1750, and they bought 400 acres of land from Penn in Pennsylvania. We never owned less

than 400 acres. I own now 4,000 acres. I am operating 2,000 acres to-day and I know what I am talking about. I am not getting expenses out of it. I raise 42,000 bushels of corn in a season, and 16,000 or 17,000 bushels of wheat and I raised all of this at a loss on some of the most fertile farms in the fairest valley in this country.

Senator GOODING. Where do you find the market for your corn?

Mr. MISH. We feed cattle, hogs, sheep, and lambs. I visited one of my farms a week ago and went into the barn. We had 150 tons of hay. We had a ton of corn and wheat. My cattle and horses were fat. My sheep were fat and my lambs were fat. I had everything, gentlemen, to make a country rich and prosperous and make the homes happy and prosperous. I had everything except money, and all of that stuff would have to be sold at a loss, and naturally I am holding it as tight as I can, but it has got to go, and I will have to take my medicine.

I have 4,000 acres of as good land as there is in the world, and it does not make me a living. I am living to-day on capital. Imagine a man who has 150 acres or less. But in view of the fact that my large acreage is being farmed at a loss, a man with a smaller acreage would be far better off.

The CHAIRMAN. Where do you sell your hogs and cattle?

Mr. MISH. In Baltimore—direct to Baltimore.

Senator GOODING. Do you drive them in?

Mr. MISH. No, sir; we ship them by rail. Sooner or later we will drive them. We have been shipping lambs by truck. The railroads had better look out. I am hauling wheat 25 miles by truck along the line of the Western Maryland Railroad, because I can not get those people to give me a rate, and they have to pay the line and the transportation, and will not give it.

Senator SMITH. Do you find it cheaper by truck than by rail?

Mr. MISH. Yes, sir.

One of our members wants to buy an elevator, but I said “nothing doing.” The railroads have got too high a rate up there; in fact, all over the country, and even if we had an elevator they would rob us when we went to ship it.

Senator KENDRICK. Is there any other reason why you would not want the elevator? The railroads themselves will not need an elevator unless they have their freight rates down.

Mr. MISH. But they will not cut them down, and there has got to be a balance. We farmers are laboring people ourselves, but we are not organized like the railroads are.

The CHAIRMAN. It might be of interest to tell you in this hearing that organized labor has asked us to take the same action for the farmer that you are taking.

Mr. MISH. They are more intelligent than the farmers, because they know they have got to come down unless we come up to meet them.

Senator SMITH. You said that a number of the inmates of the insane asylum in this country are from the farm?

Mr. MISH. Your chairman said that.

Senator SMITH. Is it not a state of insanity to go to the farm under the conditions at all?

Mr. MISH. Suppose you were born and bred that way, and do not know anything else?

Senator GOODING. Where did you get those records?

The CHAIRMAN. I did not mean that it applied to the whole world. It applied to Nebraska and North and South Dakota.

Senator LADD. It is generally understood in the West, because of the isolated conditions on the farm that the amount of insanity is very much greater.

Senator GOODING. Among the wives?

The CHAIRMAN. There is the point I want to make. A superintendent told me that insanity increases and decreases according to the prosperity of the farmer.

Mr. MISH. I believe it.

Senator GOODING. That is true in my State, but I attributed it to the pioneer conditions of the dry farms.

Mr. MISH. There is one other thing. The Baltimore city lawyers said, “We can not vote for this, because it will put up bread in Baltimore.” I took up that question. I said this on the floor of the senate, “If this Government should stabilize wheat at \$2 per bushel, I will take a contract for 25,000 barrels of flour at \$1 a barrel less than it is selling for now at retail. If you raise the price of wheat to \$2 a bushel, I will take a contract for \$25,000 barrels at

ss than retail prices now." Among the activities of our society I have applied for a lease on a room below our office, and my idea was to sell flour at \$5.50 here it is selling now for \$9.25. I can take our own wheat and have it ground contract and sell the flour at \$5.50 a barrel where they are now charging \$2.5. I can have it baked into bread and sell the bread at 4 cents a loaf, and in Hagerstown it is selling to-day at 7 cents a loaf; and everybody would be paid better—the miller and the baker—than the farmer who is raising the heat. That was published in the Baltimore papers. I could do that. I took the matter up after I made that statement. Some of my friends said, "Are you not rash in a thing of that kind?" I went to a miller to get an option on that thing, and we talked it over, and he said, "Make it 50,000 barrels, and we can take 30 per cent on the investment and sell this flour after you have raised the heat to \$2 a bushel, for \$1 per barrel less than now and give the good people of Hagerstown bread at 4 cents per loaf instead of 7 cents per loaf." That is worth knowing, and I think that argument carried half the Baltimore city delegation.

Senator HEFLIN. Your contention is that the farmer would be helped and the consumer, too?

Mr. MISH. Yes; if they all acted as we did and were willing to work at the same price and for the same wages. There would not be these swollen profits. We raise 10,000,000 bushels of wheat in Maryland. We consume 5,000,000 of

If they raise it from \$1.30 to \$2 per bushel, that would bring \$7,000,000 into Maryland.

Senator LADD. You mean that when you fix the price of a loaf of bread at 4 cents that would stabilize their profit?

Mr. MISH. Yes, sir.

Senator LADD. When the price of wheat went up 17 per cent it was reflected in 48 products of the consumer.

Mr. MISH. They certainly must have buried their money on a proposition of that kind.

Senator HEFLIN. I have been contending that the deflation policy of the Federal Reserve Board works a great hardship on the farmers.

Mr. MISH. Yes, sir.

Senator HEFLIN. And destroys billions of dollars in property values?

Mr. MISH. Yes, sir.

Senator HEFLIN. I just read from an editorial sent to me by a gentleman, saying that I was wrong, that the farmers were not discriminated against, and I said, and do hold that if the farmers had been aided to keep their product off the market instead of sacrificing it, he could have gotten the cost of production plus a little profit, and he would not have suffered. Am I right?

Mr. MISH. The farmer is bound to suffer more than any other class, because he is the only unorganized class. My company is a little drop in the bucket. Take the United States Steel Trust. What did they do? When times got dull they banked their furnaces, and they made a reduction of 10 or 15 per cent, and people said, "Wonderful magnanimity; the Steel Trust has reduced prices 10 or 15 per cent."

Poor old Kritzer sold his corn for \$9 per ton in Washington County—\$9 per ton!

The CHAIRMAN. The steel company was not a trust.

Mr. MISH. I mean they are big enough—

The CHAIRMAN. The Supreme Court said that they were not a trust. Do you remember that?

Mr. MISH. No. I know the effect of this thing. They could control things, because they controlled enough furnaces and factories to do so.

The CHAIRMAN. The Supreme Court did not believe that.

Senator HEFLIN. You say the farmers are not organized. That is true. My contention is that if the deflation policy had carried this provision in it, that farm production shall not go below a certain figure—we are going to deflate everything and not sacrifice the farmer—he has got to have a little profit. Suppose they said they would back him to that extent?

Mr. MISH. It would have saved the country.

Senator HEFLIN. I am right, then, that they discriminated against the farmer?

Mr. MISH. Yes. Their weaknesses are unfortunate. There have been lots of ideas about extending credit. You can not have much credit if you have no property. I have been a banker myself. A banker can not extend credit without a visible basis, or foundation for it, but you make the farmer reasonably

prosperous, and his credit will flow to him easily; no trouble about that. I am glad to see you people are interested in that line. It would help, perhaps to some extent. I am cutting to the root of it.

When I formed my company I said, "Gentlemen, this is no political organization. We will have them all. This is no religious concern. We will have Methodists and Baptists and all of them. We do not care, just so you associate with decent people. It is not educational. We let the Agricultural Department teach you. Raising the stuff is not the trouble. It is marketing." "This," I said, "is the test of our organization. We must put money in your pocket; you must know we put the money there. If we can not put money in your pocket, we are not worth three blue beans. We are going to give you what you now had before."

I ran for Congress last year and was trimmed by a Republican, but I ran on the platforms of both parties. They both had an agricultural plank. They congratulated the farmer upon the wonderful character of his citizenship, extended tidings and greetings to him; but as to the money, we reserve that to others. I said that if there was any difference between the Republican Democratic platforms it was the difference between tweedle-dum and tweedle-dee. Gentlemen, you knew it is all bunk.

The CHAIRMAN. They ought to have improved a little on the first platform. The Democrats should have had the best platform on it.

Mr. MISH. They did their best, I suppose.

Senator HEFLIN. You made the remark awhile ago that the farmers had to get something to have credit on. That is correct. When this deflation period started and the farmer had on his hand cattle, wheat, and corn and he had no money—suppose he could have had his paper carried on.

Mr. MISH. It would have helped some.

Senator HEFLIN. Not only one man, but all the cattlemen of the United States could have postponed pay day and been permitted to keep their cattle off the market.

Mr. MISH. It would have helped some.

Senator HEFLIN. If that had been so, people would not have bought cattle, wheat, etc., because there would have been little on the market, and price would naturally have gone up.

Mr. MISH. My contention is that there must be a basis for credit. Person I could borrow \$25,000 on my individual note. I am not making anything of the property. I myself do not have any trouble getting money.

Senator GOODING. Tell me about your soil. Are the farmers maintaining fertility of the soil?

Mr. MISH. Every one of my farms is better every time I farm it. I mean that my business. I feed my own hay and corn right on the farm. I am interested in corn at less than 86 cents a bushel. I will find a market for it. I will feed up my hay; I am not going to give it away.

Senator GOODING. What is happening to the soil in Maryland? Is it increasing or decreasing in fertility?

Mr. MISH. I could not say that it was increasing in fertility. I think during the war the fertilizers became wretched, and I have not raised a decent crop of wheat since gunpowder went to \$400 a ton. I have not raised a decent crop of wheat for several years.

The CHAIRMAN. Do you use fertilizer all through Maryland?

Mr. MISH. Oh, yes. Have you ever been in Cumberland County? You do not know what a farm ought to look like unless you go to Cumberland County.

The CHAIRMAN. Well, that ought to give you some satisfaction to know that it looks pretty.

Mr. MISH. We have a fine class of people in that valley. They do not raise their boys there to be lawyers, doctors, or preachers. They raise them to be farmers, and they raise their daughters to marry farmers, and they make a real home out of their farms.

They have got everything whitewashed and painted. They get up at 4 o'clock in the morning. They eat breakfast by candle light. They are supposed to have an hour at noon to rest, and while they are resting, they whitewash and cut wood, and such things as that.

Senator SMITH. Is that where those insane people come from?

Mr. MISH. Those people go insane. A good many of those people do. Some of those men have bank accounts, or had it. How do they do it? They coin their own flesh and blood into money.

I know a fellow who had two daughters, and they never had a pair of oes or stockings in summer until they were 21 years old.

I know another one who died, who left a bank account. He slaughtered s hogs and sold his hams and made his family eat the unsalable meat. hose men may have money, but they are not making it on a business basis. ey are coining their flesh and blood into money. In that class we find at they do not have any limit. They overwork themselves and, in fact, ey kill themselves in a great many cases.

Senator LADD. There is one other point in connection with the handling wheat through the cooperative association. You saved the farmers out ere some money. How did you do that?

Mr. MISH. Cut out the middleman. Take a farmer at Ashton. There is elevator there. He sells his wheat to the elevator man—profit No. 1. He ads it for Baltimore—profit No. 2. He can not sell it himself, so he hired broker—profit No. 3. The broker sells it to a Baltimore elevator—profit No.

My customer wants my wheat, but he hires a man in Baltimore—profit o. 5. Profit No. 6—the wheat is loaded on the railroads, and when my cusmer gets it, it is profit No. 7.

I take the wheat from the wheat fields, load it on the cars, and ship it to mill in Tennessee or North Carolina and save 20 cents per bushel.

Gentlemen, some of those elevator fellows were loading cars on these farms t a profit of \$250 a car, and they loaded the car in two and a half hours. I ave cut that all out. I am at the end of my line. I can not go any further. ne day I laid down before the board of directors nearly \$10,000 on the table, nd said, "This does not belong to me; it belongs to the farmers. I will send en the cash money, as I said I was going to."

We want hats, not halos; clothing, not compliments; shoes, not soft soap; e want dollars, not daffodils or bouquets.

And so in following up this idea of cooperation we put dollars in their ockets, and they know it. They are getting loyal now, but somebody is going o get hurt sooner or later, because that bunch is being trained up, and there n't going to be much politics. I am training that bunch.

The CHAIRMAN. When the next campaign comes along the campaigners will one to the farmers and read the platforms you are speaking about, and will ey not go on and vote the ticket straight?

Mr. MISH. If they stay under my tutelage, they will find out something bout this. I will try to teach them something.

Senator KENDRICK. Your direct movement of wheat reminds me of an incident that occurred awhile ago—if the committee will pardon me for a reference to it. I found that they were selling the calves and yearlings raised n western farms, as the case may be, to the farmers in Indiana and Ohio, or feeding purposes, at about the same price that we were receiving; they reduced four and five year old steers and shipped them direct to the market. ey were selling them by the thousands by shipping them direct to the farmer, and eliminating these numerous costs between the two.

Mr. MISH. Let me tell you about the conditions in Washington County. here has been a drop in wheat from \$3.15 to 95 cents. Corn dropped from 2 a bushel to as low as 40 cents a bushel. It went down to 20 cents in Iowa. rom \$2 to 40 cents!

Senator SMITH. That was on what, from \$2 to 40 cents?

Mr. MISH. Corn. A great many of our people have hides. They dropped rom 40 cents a pound to 3½ cents. One of my friends told me he sold a beautiful hide for 3½ cents a pound.

The CHAIRMAN. Shoes and harness went down.

Mr. MISH. Yes; shoes and harness went down! Did they? One of my co-operators said he killed a steer which had a fine hide, and he sent it by his ireling and told him to bring back a pair of boots, but when he came back e said, "John, you owe the storekeeper \$2.60." He got 4 cents a pound for 60-pound hide, and the boots cost \$5, and he still owed the storekeeper \$2.60.

The CHAIRMAN. He can thank God it wasn't a pair of shoes for his wife.

Senator GOODING. I know a farmer in Idaho who sold a hide off a steer that lressed 700 pounds—he sold the hide for 40 cents, and a few days after that e bought a pair of leather shoe strings and paid 50 cents for them. That is fact. He had a pair of high-top boots, and paid 50 cents for the strings; nd he sold the whole beef hide for 40 cents.

Senator KENDRICK. One of my constituents sent me a bill of lading on account sales of a hide which he shipped to market by freight. The hide weighed 100 pounds. It was a green hide, and he got either 7 or 8 dollars net return after the freight was paid.

Senator GOODING. You people down here ought to be in clover as to a road transportation. You can market a good deal of your products without using

Mr. MISH. We are in clover as compared to the western farmers.

I will tell you, if I had been elected to Congress I would have voted for you, and the Democrats would have come howling around you. When it comes to a question of politics I am a Democrat, but this is a question of business. I stand for the principles of Thomas Jefferson, but when the Democrats begin to throw in a lot of rot with that I am going to vote in a business way.

Senator GOODING. That is right; talk to these Democrats.

Mr. MISH. And I do not hesitate to lecture.

Senator GOODING. You are my kind of a man.

The CHAIRMAN. You must not talk to the Republicans.

Senator GOODING. He can talk it to me. Here is a Democrat who wants to talk to me.

Senator KENDRICK. I had exactly the views of this gentleman from Maryland, and voted accordingly, for all the different tariffs, farm products, and manufactured articles; but this Democrat is abused by the Republican papers at home because, they say, he is not observing good faith. They say he does not believe in that.

Mr. MISH. I am talking as a business man. A Kansas farmer will have to pay 54 cents a bushel to put his wheat into North Carolina, to compete with the wheat. I am not afraid of the Kansas farmer. The railroads have them tied so far as they are concerned. I am afraid of the Argentine and Australian farmer, who can put his wheat into North Carolina for 12 cents a bushel. The Kansas farmer has to pay 54 cents to get into the same market. He is negligent to me, and therefore this 35 cents on the 12 cents cuts out the foreign wheat, gives the farmer of Virginia and Cumberland County the wheat market, why should not any Democrat, or any business man, vote for that tariff, what has Thomas Jefferson got to do with that? If you are a Republican follow the principles of Alexander Hamilton. I know you will not follow a gentleman to despotism and tyranny, and I will not follow Jefferson to anarchy. Things in this country to-day are out of balance, and the machinery is cutting itself to pieces to-day, day by day, night by night, and I do not know any power on earth, except this committee, that can come to our rescue. I have done everything in my power. I can not go any further. I certainly ask your cooperation in this matter, and I hope you will give it favorable consideration, and you will never have occasion to regret it.

You gentlemen have been so good and kind to give me a chance to explain this matter. I always try to do my duty. I try to be reasonable and give you reason. It may be, sometimes, a very little, puny reason; but everything is based on reason. I have a reason for, and I am ready to "sink or swim, survive or perish," on the judgment of these matters, but I would like to have your opportunity to come to our rescue in this case.

Senator GOODING. How long have you been farming?

Mr. MISH. I have been farming all of my life. I am a farmer, my father was a farmer, and my grandfather was a farmer, and all my people, back in 1790. We have never owned less than 400 acres of land, and I suppose I am biased in favor of farming, or I would not be in it.

Senator KENDRICK. I appreciate more than anything else you have said before this committee, the fact that you would rather produce \$5 wealth out of the ground than to earn or make \$10 at banking.

Mr. MISH. That is correct. We all have our prejudices, and I may be wrong. Down in my heart the man that I respect is the landowner, the man that tills the soil, the freeholder. J. Pierpont Morgan, to me, would just be a hell of a gypsy, in so far as he is not the owner of real estate.

I have a woods on my farm, and the gypsies got in there. I went up there and drive them out, and they said: "Why, we are not doing any harm." I said: "My friends, we do not know how you make a living. Everybody around here knows that you make a living, but we do not know how you make it, and I am uncomfortable." People that have not any visible occupation, and are still living fine, we are afraid of them; that is all. That has nothing to do with this.

along the way. We are afraid of them. We like to know how they make their living.

Senator KENDRICK. You did not make them leave, did you?

Mr. MISH. Yes; I had to, because my neighbors were up in arms. They said they were losing their chickens.

Senator SMITH. That was one evidence of how they made their living?

Mr. MISH. A good many people do not have any visible means of support, and we wonder how they are making their living. They are all gypsies to me.

Some are bigger gypsies than others. I like the working man. I like to go out in the spring, and there is nothing that rejuvenates me more than to go into a clover field. When I was in the bank, and got worried, I would walk over the clover field. After all, the farming life is the life. The city is only one big sink hole. I have two boys, and I want my boys to stay on the farm. I do not want them to go to the city. Boys go to the city and never return.

I am like the old rabbit, that was one day running in the woods, and she met me to a fox den. She saw the tracks of little rabbits going into the fox den, many, many little rabbit tracks. She stood there and looked at the tracks a little while, and then the conclusion dawned upon her that no tracks turned from the fox den. So she said, "I had better keep out of there."

That is the way the situation is to-day.

We farmers do not want cities. I am preaching for a comfortable cottage in the country, and the prosperity and foundation of the Republic rests on a comfortable cottage in the country, and not the skyscraper in the city. We are willing to work for our board and clothes, and a comfortable habitation. Let us be like the bees, let us gather the honey. You do not get much more than board and clothes, but you are robbing us before we can get it.

Senator HEFLIN. You are working to create conditions that would give the farmer a fair chance. He is entitled to have a fair chance, and his business is profitable.

Mr. MISH. I was talking to a friend of mine, and was giving him my theory out the city, and he said he had a son who went to New York, and he had done well, and I asked him if he was married, and he said that he was not married, that he was a bachelor. I said, "That is the end of your family." He never got enough money to marry, and the family ends there. He has money, but he can not trade his money back for a life.

Was there anything else I could say to persuade you gentlemen to support this bill favorably? I understand you have a bill before you, and I would like to have it reported out favorably, and I would like to get behind you in Maryland and help you. I will be very glad to throw my politics aside.

Senator KENDRICK. I think it might be properly said that this is a group of men who have been dubbed the "Agricultural bloc of the Senate," and they certainly ought to have somebody get behind them, because they have other fellows in front of them.

Mr. MISH. I will.

Senator KENDRICK. They have been denounced, and we believe without reason.

Mr. MISH. I will tell you, in the near future, every county in Maryland will be organized like Washington County, and I have reason to believe they are going to organize in other places.

The CHAIRMAN. We will stand adjourned.

(Whereupon, at 12 o'clock noon, the committee adjourned subject to call of the chairman.)



STABILIZING THE PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

FRIDAY, FEBRUARY 17, 1922.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee reconvened pursuant to call at 10:30 o'clock a. m.
Present: Senators Norris (chairman), McNary, Page, Keyes, Gooding, Ladd,
Smith, Kendrick, Harrison, and Heflin.

The CHAIRMAN. The committee will come to order. You may proceed, Mr. Mozley. We would like to have you finish, if you can, in 30 minutes.

Mr. MOZLEY. I will try to.

The CHAIRMAN. We will try not to interrupt you.

STATEMENT OF MR. WILLIAM J. MOZLEY, OF DICKINSON, N. DAK.—
Resumed.

Mr. MOZLEY. Mr. Chairman and gentlemen, the first question that I would like to speak of regards the amount of wheat which it takes to make a barrel of flour. This has been carefully worked out. It takes 4 bushels and 40 pounds of wheat from No. 3 grade to make a barrel of flour, and a barrel of flour makes 300 14-ounce loaves of bread, so the price of wheat and the price of flour should relate, so our contention is that we should have a price for wheat in relation to the flour value, but not upon any basis of grades as they are now used. The grades are very discriminatory.

The CHAIRMAN. How many loaves of bread are made from a barrel of flour?
Mr. MOSLEY. Three hundred.

The CHAIRMAN. Three hundred loaves of bread to a barrel of flour?

Mr. MOZLEY. Yes, sir; 300 14-ounce loaves. So when wheat values under the present governmental grade is established it makes it possible for the millers to buy wheat upon the differentials they now buy on. It costs the farmers on No. 4 wheat practically 32 cents on every bushel he sells. That enters into the cost to the producer of millions of dollars.

Now, the drought districts cover a good many parts of different States. You can take North and South Dakota—last year they were hard hit; also parts of Kansas and Oklahoma, and some other wheat-growing States. Now, when the drought people pass over a drought period, as they have for the past two or three years, and as the price as you will notice to-day is fluctuating very rapidly—something should be done.

I noticed in the paper day before yesterday that wheat was rapidly advancing; it had advanced 6 cents a bushel. This article told about the exports that is taking place, and this morning it said that owing to the filling of the contract and other matters that it had taken on a decline. Why decline wheat at this time, when the world knows we have not got any too much wheat? It is just a matter of market manipulation. You can not lay it to anything else which is in effect to-day. The producer does not know from one day to the next what he will do, and as spring approaches no doubt the market will advance quite materially from the fact that the bulk of the grain will be in the hands of grain men or millers. A few years ago I had in storage about 5,000 bushels of wheat. I carried it over one year, and at the end of that crop season I was advised by the banker to sell my wheat. He said, "I have just returned from the South, and I found wheat fields in the South are going to yield abundantly, and the market will drop rapidly, and I advise you to sell." The vice president

of the bank told me the same thing. He was a wheat buyer also. So upon advice I sold about one-half of it, and I took part of a crop and put it in storage. Every day I met these men, and they advised me to sell. I said, "This is the time that I am going to use my own judgment."

The wheat that they wanted me to sell at that time was 82 cents a bushel, and after awhile it got to \$1 a bushel, and the man in charge of the grain department for this company wanted me to sell this wheat very badly, and the fact they came in there to see me every day, two or three times, and called on the telephone. I wondered why they were so interested in getting me to sell that wheat. In February I got \$1.55. I merely call your attention to the fact that the grain men are in a big combine, the same as they have in cattle.

Our man, Richards, at Dickinson, N. Dak., has been a heavy cattle raiser for years, and he was president of one of the banks, president of the bank I am speaking of, that advised me to sell my wheat. His life savings are in a ranch. He has several thousand acres of land, and in addition to that he rented a large portion of the Indian reservation adjacent his farm. A year ago last fall, when the deflation in cattle started, he sold part of his cattle, and his partner wanted to get out, and he bought his partner out. This fall he was ordered to liquidate, so he went to Minneapolis and interviewed some of the banks, and they said they could not do anything for him. They said, "It is impossible; you will have to sell," and he brought down about a trainload of cattle, and when he got to the station at Killdeer he said, "The tail might well go with the hide." He said, "I will ship two cars and drive the rest back." He shipped them down and they handed him \$42 for great big steers, and he had sold his cattle at that time he would have been worse than penniless for he told me that he would be in debt after liquidating his loan and turning his land in.

So he went to Minneapolis and they told him there, "We can not carry you." "Well, then," he said, "come and get the cattle; I will not load them or take any action. If you want to drive me to the wall, just help yourself," so about four weeks later they called him to Minneapolis and said, "Do you think you could make good if we would carry you over another year?" "I do not know." "What of the market?" Here was the information that he got: "You go back to your ranch. You go out to-day and buy all the young cattle you can buy, and check on us, and by another year the market will be so that you can stand on your feet."

How do they know those things, gentlemen? I maintain this grain and cattle manipulation is brought about by those same men, and there is certainly a financial interest behind it, and I maintain this, although it is a broad statement: That the Federal reserve bank is the means of this deflation, and that brought it about on the wrong end. If they had allowed the stockmen and the grain men to maintain a reasonable price, so those men could pay their bills and had used, as I said before, the ax on the other end, this country would not be suffering as it is to-day. Those are questions that have got to be met.

I want to call attention to one more farmer. He lives about 4½ miles south of me. His name is Walters, and he came into that country about 25 years ago. He owns practically two sections of land. He is considered one of the best farmers in the country. I do not think up until the last year or two that he ever hired a man to do a month's work. The work was done by his own family. I want to tell you how he lived by one meal I ate there. It was a year ago last harvest. I drove up to his door to see him on a matter of business. He said: "It is about noon; come in; we are going to have dinner." We went to dinner, and sat around the table, with about 14 in the family, with one hired man. There was one loaf of bread brought out, and the wife went and cut a good chunk of it and laid it along different places, and then there was a bowl of buttermilk left at each plate—no plates—and then she brought in a bowl of lettuce and filled each bowl as she went around the table with lettuce, and there was not another thing on that table but these chunks of bread, lettuce, and buttermilk. That is the way the man lived; and he is considered a wealthy man, but for the last two years he has been a borrower.

What are the people going to do who have tried to live a halfway decent life? His children never went to school, only when the law forced them, and then they went only for a short time during the winter months—and then they talk about bringing young people up on the farms and giving them an education.

The crop estimates from the Department of Agriculture are misleading. I have been a crop reporter for over 12 years up to the present year. I declined to take any further hand in it. I am going to tell you why. I have watched the

rop estimates during that entire period, and the reports that go out at the time he crop is being raised and at the time the crop is being thrashed; if you will take the time to look up the figures you will find that there is a great difference between them—the estimate at the time the crop is being harvested and the final figures. There is a big shrinkage in the amount of grain that was supposed to be raised. That has a big bearing upon the influencing of the wheat market.

You will notice another thing from the thrashing reports that come out. I notice it, because I watch closely. The first thrashing reports that come out from the wheat States are taken and multiplied in the papers, from some little small patch of grain that happened to yield very heavily; but when the big fields are gathered, and the crop damage has in many cases been shown to be great, that is not magnified or multiplied. That is passed over as a matter that generally does happen in an ordinary way, and there is not much said about it; but the big reports that go out of a 30 to 40 bushel yield are the reports that are magnified and shown to the world that there is going to be a big crop; hence we are going to be long on wheat, and all those things have a tendency to bear the market down.

Another broad assertion I am going to make, and I presume that I am making some that are considered pretty radical. I believe that it is practically intended from certain interests that the farmers be kept at a low ebb, because they can be easier handled. If the farmers could get out of debt, if the farmers could get on their feet, they could then become strengthened in a way that these things could not be brought about.

I have seen a good deal of talk lately in different papers about the cooperative societies and what they are going to do for themselves and what they could do for themselves. There has been a cooperative bill passed that should be of material benefit, but the conditions are such, gentlemen, that it is an impossibility for cooperative systems to function, from the fact that they are loading their products in the same cars, whether it be cattle or grain, and sending it down the same channels of commerce. They are sending it down to the same sort of men that are handling their products to-day.

Then there is another thing that enters into the cooperative movement, which you men are not aware of, and that is the leaders in many cases, leaders of cooperative concerns and societies.

I know of men to-day—I am not going to mention any names—but I know a man in the city to-day that I wanted to come here and testify as to the facts, because the rank and file of the farmers to-day are being misguided. They are not told the truth, and they leave it to their leaders, many times, to do their thinking for them. The conditions under which the cooperative societies are working to-day—the Farm Bureau is losing ground every day on account of that. The Farm Bureau in the last year, according to its own report, lost practically 50 per cent of its membership. The Farmers' Union lost heavily; the Grange, the equity societies—the American Society of Equity in the State of Wisconsin lost over half their members in the past year.

Senator McNARY. Is that due to want of confidence of their leaders or the inability of the farmers to meet their dues?

Mr. MOZLEY. The farmers would gladly meet their dues if the business was conducted for them in a satisfactory way. The farmer wants to be organized, and when they are seceding from one of the organizations they are holding themselves together in little groups, trying to struggle along and get by in a way that they can work satisfactorily.

Senator McNARY. What do you offer as a constructive substitute for the farm organizations that are gradually disintegrating; what do you propose in the place of these?

Mr. MOZLEY. Nothing. I want to see them go on. I will lend them my hand and heart and sympathy. I am for these organizations. I am merely calling attention at this time—

Senator McNARY. If the Farm Bureau, the Grange, and the union, all of which organizations I have a profound respect and sympathy for, are losing members, which, I think, you implied was due to want of leadership and confidence in the leaders, what do you offer to take their place?

Mr. MOZLEY. That is a pretty hard thing to say, because, in my judgment, when they find a leader is not doing the right thing they should try to get a leader who would. I do not think their methods—am not finding any fault with their methods, but I am finding fault with their leaders.

Senator SMITH. You said a moment ago that these cooperative organizations when they got their cattle and grain together had to sell them to the

same parties, or in the same market where the grain of the individual who was not a member, or those who sold without these organizations—now the inference that I drew was that unless there was some way to remedy the ultimate market to which the cattle and grain went, the cooperative association could do no more than save the middleman's charges, but that would have no material effect upon the ultimate price to be received at the final market.

Mr. MOZLEY. Yes, sir; that is exactly what I meant.

Senator SMITH. The reason why that impressed me so was because the senator from Maryland yesterday, the State senator from Maryland, said he had saved quite a bit for those that he represented in the State of Maryland by cutting out the middleman's charges and getting the maximum that could be obtained at the ultimate market, but that he was at the end of his rope now; that there was no possible way for him to affect the ultimate market, and the price obtained there was not sufficient to cover the cost of production. Hence he comes to Congress to get them to assist in such a manner as to affect the market, so that when he disposed of his grain, or the farmers disposed of their grain, no matter whether through a cooperative market or not, that it would be remunerative, or at least above the cost of production?

Mr. MOZLEY. Yes, sir; that is exactly what I was driving at—that when we are shipping stuff from a cooperative system, or from the individual farmer down the same channel of commerce, to the same people at the other end—that is where we are losing.

The CHAIRMAN. Cooperation does not have to stop there?

Mr. MOZLEY. No.

The CHAIRMAN. Why not cooperate at the other end, like, for instance, the wheat farmers are trying to do now in the so-called committee of seventeen, arguing, as I understand, for the proposition to handle the other end of the market as well as the beginning of it. Could not that be done by cooperation also?

Mr. MOZLEY. Where can you get your finance?

The CHAIRMAN. They propose to finance it if they can organize the producers so as to handle it, and there should be no difficulty about getting the finance. They think there will not be any difficulty to finance it, holding enough off the market to regulate the market according to the needs of the consuming market.

Senator KENDRICK. Is it not true that this plan now outlined by the committee referred to has been the ultimate aim of this organization from the beginning?

The CHAIRMAN. I think so.

Senator KENDRICK. They have intended to work out and put into operation as nearly as possible, a practicable plan, by which the great bulk of their products could be marketed under the direction of their own organization.

The CHAIRMAN. They would sell, for instance, to the people in Europe. They would ship their products over there—finance it clear to the end.

Senator KENDRICK. The proposal involves some very radical changes from the old method, and one of the obstacles at the beginning will probably be to induce people who have heretofore acted according to their own judgment to subscribe to a plan by which they will be compelled to yield something to the common good, or defer their own judgment, or waive their own judgment as the case may be, to the judgment of this committee. This would involve even the marketing of live stock, as I understand it: grain and all farm products.

The CHAIRMAN. They would pool their products and the committee would decide when to sell, and in what quantities and where it is to be shipped.

Senator SMITH. I received some letters this morning just before I came here, and have just finished reading them, calling attention to the fact that in this Russian relief, the Government taking over so many million bushels of grain to ship to that country had a very advantageous effect on the corn market, to such an extent that an additional profit on the corn that was left at home for sale had more than paid for all the corn that was sent abroad, and all the expenses incurred, giving rise to the assumption that this new method of shipping this stuff abroad—taken over by the Government, taken out of the ordinary channels of distribution—together with the volume of it, had stimulated the market to that extent; and the inference is that if there was any means by which the public, the purchasing public and the ordinary business organizations that we now have, could be assured that either the Government or some financial organization would guarantee, or at least fix

he basis below which, or when that basis has been reached that none would go for sale below that, the market necessarily would respond; and I have written letters from farm organizations this morning—from several—calling attention to the fact that this is an emergency that must be met, and recommending that, not as a fixed policy of the Government during all time but in view of the fact that this disastrous situation was brought about by quasi-governmental agencies, that it was the moral duty of the Government to see that at least the cost of production was assured, in order to guarantee the farmers that they would not be made a sacrifice unnecessarily.

The CHAIRMAN. We are taking up the time of the witness. We have several witnesses.

Mr. MOZLEY. I am pretty nearly through. I just want a few minutes. That goes right back to my contention that if we had a few years now of stabilization, in the meantime these cooperative societies would be benefited and be put in shape so that they would have time to organize and have time to get their matters in hand, well in hand, so that when the guaranty was off there would be something tangible arranged, so that cooperation could go ahead and do business in a profitable and safe manner.

Speaking about the different States and the amount of value of land, going over a period of years: Up in Wisconsin there is a party there that left Ohio several years ago, when land was very high; I think he told me about \$300 an acre. He went into Wisconsin to see if he could not make enough money out there to come back and buy the old place. He came back after being in Wisconsin for 15 years; he went back to Ohio to buy the old home. He got into the old home town one Saturday night and it was raining, so he decided he would not go to see the old folks until the next day, so he went to bed in the little old hotel.

The next morning the church bell was ringing, and he thought he would go to the old church. He went in and sat in the back seat, and after the sermon was over they, as usual, passed the plate, and when it got to him he found there were 14 pennies in the plate, and he reached in his pocket and put in a crisp \$5 bill, and he said he had done so every year.

As soon as the sermon was over the pastor came over and said, "God bless you, brother, have you come here to live?" He said, "No; I used to live here." He said, "My folks live here."

That afternoon he went out and saw his father and mother, and said, "Back to Wisconsin for me."

When he left Ohio he said that that land was worth \$300 an acre, and he could go back there and buy it back for \$50 an acre. Why? They have stolen the fertility of the soil, and that is what we are doing to-day. We are robbing the soil, ourselves, and our homes. For what? To try and make ourselves a home. That is what the farmer is working for. That is all any man is working for, to build himself a home, and in connection with this I want to mention an incident that happened a few years ago.

A man from Vermont came up to our country to go into the sheep business. He said, "You have beautiful soil," and he said, "I notice you have no stones." Back in our State there are so many stones in some places that we are compelled to sharpen the sheep's noses, so that they can eat grass between the stones. He said that back in his country, back in Vermont, that that land was selling at that time for from \$200 to \$300 an acre, and in our country the land was worth about \$10 an acre, and men who have gone out and lived on that land, and built themselves little homes, and are working hard to-day, can not get the cost of production, and if our farms in that country to-day are put back at the price we bought the land for, there is not a man in the State of North Dakota who would not be broke. It is only the rise in the land that gives the man any hope of ever getting anything out of it.

I want to say another word: I was down here in 1918, and I had the pleasure and honor of meeting some of the same men. To-day we are in a worse state than we were then. I think agriculture is so low, as you men realize, something must be done, and I know you will do what is right, and there should not be any opposition at all to any movement that will assist agriculture.

The country to-day is stricken so hard that it is beginning to move back to the center. The little man, the business man, and bankers are feeling the effect of this one thing, the deflation started at the wrong end, and I hope that you men will do everything within your power to restore agriculture, and when you do that you are going down in history as doing more for humanity than any Congress has ever done.

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make a suggestion for a solution of the farmers' price problem. However, it is only by the suggestions of many people that some solution can be arrived at, and if I may suggest some line of thought that will enable a more able man to form a workable plan, I shall be very glad.

In looking up the average price of wheat on the Chicago market for the past 10 years, I find from the best figures I have, that it has been \$1.55 per bushel. Now it has occurred to me if a Government-guaranteed minimum price could be established at 10 per cent below the 10-year average price, or \$1.40 per bushel, and a maximum price at 10 per cent above the 10-year average price of \$1.70 per bushel, which would allow a fluctuation of 30 cents per bushel, which should cover the carrying charges and variation in supply and demand. This would guarantee the cost of production to the farmer and guarantee a reasonable price to the customer and in but few cases would require any interference by the Government. My idea being that the Government simply should stand ready to buy the surplus wheat when the price went down to \$1.40 per bushel at Chicago and that no one should be allowed to buy wheat at to exceed a basis of \$1.70 a bushel Chicago.

I would suggest that this arrangement be made to apply to the four great staples of the country—wheat, corn, cotton, and wool—which would protect practically every farmer in the country on at least one thing, and most of them on two, and would protect the cost of living to the consumers throughout the country, which would to a large extent do away with the demand for increased wages on account of increased cost of living. These prices could be readjusted on the basis of July 1 each year on the 10 years previous, and if the supply exceeded the demand at the average price the average would gradually work lower, and if the demand exceeded the average price, the price would gradually work higher, encouraging an increased production.

There might be years when it would be necessary for the Government to buy quite large quantities of the different articles, but in that case the supplies could be sold, or even donated to foreign countries, and the loss proportioned to the whole country instead of having to be borne by one class of farmers. In case of this guaranty, I should suggest that the President or the Secretary of Agriculture be given power to declare an embargo on imports whenever the central price fell below the 10-year average for that article. Through the stabilizing of the price of corn the price of pork and beef would to a very large extent also be stabilized.

If you have time to think this matter over and think it worthy of any consideration, I should be glad to receive a reply from you.

Yours, very truly,

J. S. PAGE, *President.*

\$1.70—10 per cent above the Chicago 10-year average price—maximum price
\$1.55 the Chicago 10-year average price of wheat; \$1.40—10 per cent below
the Chicago 10-year average price—minimum price. At this price the Government would stand ready to buy the wheat.

Increasing price will cause greater production; decreasing price will lessen production.

The CHAIRMAN. Who is your next witness?

Mr. MOZLEY. I overlooked a couple of petitions which I would like to offer.

The CHAIRMAN. All right; what are they?

Mr. MOZLEY. Would you like to have them read?

The CHAIRMAN. No.

Mr. MOZLEY. They are in relation to the demand for stabilization.

The CHAIRMAN. We might have them printed, but not the names. You can state after it how many names, or you can state now how many names. Give them to the reporter, and the petition itself will be printed, with the statement as to the number of signatures, but not the names.

(The first petition is as follows:)

"We, the undersigned, being firmly convinced that business pauses and industry staggers until agriculture is put on its feet through the reviving of the United States Grain Corporation, and we demand fixing a minimum price on wheat, hereby subscribe the sum set opposite our names for the payment of the expense of a delegate to the hearings before the Committee on Agriculture at Washington, D. C., beginning February 9, at which time witnesses will be heard on legislation now pending to reestablish the Grain Corporation with power to fix a minimum price for wheat. Dated this 4th day of February, 1922."

(There are 33 subscribers to the foregoing petition.)

(The second petition is as follows:)

"We, the undersigned, being firmly convinced that business pauses and industry staggers until agriculture is put on its feet through the reviving of the United States Grain Corporation, and we demand fixing a minimum price on wheat, hereby subscribe the sum set opposite our names for the payment of the expenses of a delegate to the hearings before the Committee on Agriculture at Washington, D. C., beginning February 9, at which time witnesses will be heard on legislation now pending to reestablish the Grain Corporation with power to fix a minimum price for wheat. Dated this 4th day of February, 1922."

(There are 17 subscribers to the foregoing petition.)

Senator LADD. Mr. Stevens is here and will make a statement in regard to profits of elevators, millers, etc., I bel'eve.

STATEMENT OF MR. WILLIAM H. S. STEVENS, ASSISTANT CHIEF ECONOMIST, FEDERAL TRADE COMMISSION.

Mr. STEVENS. I should state in advance probably that the commission has no figures covering results for elevators, mills, and bakers, later than 1919-20. Those are the last figures that are available. The figures for country elevators and terminal elevators show margins per bushel for those elevators, and show the total profits of those organizations.

Senator McNARY. Private or co-operative elevators?

Mr. STEVENS. All groups, line, cooperative and independent elevators—all three types.

The gross profits of country elevators, excluding hedging, gain or loss, were highest in 1919-20, when they averaged 8.34 cents per bushel. In 1915-16 they averaged 3.53 per bushel, and in 1916-17, 6.78 cents per bushel.

Including the hedging gains or losses, the gross profit was 8.05 per bushel in 1919-20, 3.55 cents in 1915-16; 6.08 cents per bushel in 1916-17.

These totals include, as I stated, a combination of results of independent elevators, cooperative elevators, including both the patronage and non-patronage dividend type, and the line elevators.

The CHAIRMAN. That includes all kinds of elevators?

Mr. STEVENS. All types. Those figures are somewhat overweighted by the line results, and the line margin per bushel is relatively very high as compared with cooperative and independent types; consequently, the profits in question, which I have given, per bushel, are somewhat too high, if you consider the profits obtained by independent and cooperative concerns alone.

The terminal elevator results, including hedging, based on results for 10 companies, for a period of several years, but not including any Chicago companies, were highest in 1919-20 when they averaged 7.45 cents per bushel. They were lowest in 1915-16, when they amounted to 2.54 per bushel.

The CHAIRMAN. What year is that?

Mr. STEVENS. They were lowest in 1915-16; 2.54 cents per bushel.

Senator McNARY. What was the average before that time, before the war?

Mr. STEVENS. I can give you the figures for the prewar years. I have the figures separately.

Senator McNARY. Never mind. You can put it in the record.

Mr. STEVENS. The figures for 1912-13, including hedging, was 2.98 cents; in 1913-14, it was 2.63 cents. Now that, you understand, is including hedging gains and losses. If you exclude the hedging gains and losses the profits are very much higher. In 1916-17, for example, they averaged 20.12 cents per bushel, and they were lowest in 1913-14, averaging 19 cents per bushel.

I fairness, it should be stated, that the very high profit of 20.12 cents in 1916-17 was due to the fact that wheat had been purchased in the fall, and then there came a phenomenal rise in price, which took place in the spring of 1917, when the allied Governments overbought the wheat market in the United States. The elevators, which had bought in the fall at lower prices, got the benefit of the tremendous rise, as is shown by the gross profit, excluding hedges. These elevators, however, lost approximately 13 cents a bushel on the hedges outstanding against that grain, so after deducting that, their profit amounted to only 7.45 cents a bushel. The gross margin between the seller of grain and the purchaser of grain from the terminal elevator company, however, was 20.12 cents per bushel in that year.

Senator McNARY. Your figure for 1919-20 shows that the profits were higher than for any period during the war, and for any period prior to the war.

Mr. STEVENS. Yes. It varies, to a certain extent, depending on the territory and the type of elevator you are considering.

The year 1916-17, and 1919-20, were running a race, so to speak, because of the very large increases in prices which took place in both years, but the profit per bushel in 1919-20 was higher than in 1916-17.

The wheat-flour milling figures which the commission has are of a somewhat earlier date, and unfortunately do not run as far as 1919-20. They do indicate, however, in a rough fashion, the results which flour mills may be expected to obtain.

A comparison for 37 milling companies, which includes in this group several of the largest flour-milling companies in the United States, shows the following figures of cost, plus interest, per barrel, from 1913-14 to 1917-18:

In 1914, cost plus interest, was \$4.01 per barrel; 1914-15, \$5.34 per barrel; 1915-16, \$5.11 per barrel; 1916-17, \$8 per barrel; 1917-18, \$9.57 per barrel.

The profits per barrel of the same group of companies in the same years ran as follows: 1913-14, 14 cents per barrel; 1914-15, 21 cents per barrel; 1915-16, 14 cents per barrel; 1916-17, 55 cents per barrel; 1917-18, 65 cents per barrel.

The CHAIRMAN. That was profit to the millers?

Mr. STEVENS. That was profit to the millers per barrel of flour.

The CHAIRMAN. You have taken into consideration bran, shorts, in that figure?

Mr. STEVENS. Everything is considered.

Senator McNARY. Is the point involved the question of the profits to millers and elevators being excessively high?

Mr. STEVENS. That is my understanding of the situation. I am appearing here on the instructions of the commission, which instructions were issued at the request of the committee, and, as far as I was told about the situation, I understand the committee wanted some figures as to the profit.

The CHAIRMAN. You are not interested in whether they are great or small?

Mr. STEVENS. No.

Senator McNARY. I wanted to know if you were trying to develop a point or not.

Mr. STEVENS. No; simply to supply information the committee may wish.

The commission, during the course of the war, and in connection with the work of the Food Administration in the year 1917, determined the costs of producing bread for wholesale and chain store bakers, and I have here the figures of those results, per pound loaf of bread, based on flour at a price of \$11 a barrel. Those figures showed a total cost at the baker's door for the lowest cost territory of approximately 5.7 cents per pound, and for the highest cost territory, 6.4 cents, with an average of 6.2 cents.

The results for the chain-store bakers were considerably lower, showing an average of only 5.4 cents per pound at the baker's door in that particular year, the results being based on flour at \$11 per barrel.

The costs mentioned do not include the costs of salesmen salaries and commissions and delivery to retailers, which amounted to 1 cent a pound, or a little above that in the case of the wholesale bakers, so the figures which I have given are increased by these factors. For wholesale bakers the total cost per pound was 6.7 cents in the lowest cost territory, and 7.6 cents in the highest territory, with an average of 7.4 cents. The average chain-store bakery cost was very much lower, 5.8 cents. This results, perhaps, from the fact that the chain-store baker is a retailer primarily. He does not sell bread except through his own chain of stores, and consequently his sales and delivery cost is low as compared with the wholesaler, who must sell and deliver to retailers in competition with others. The figure the commission found was only three-tenths of a cent per pound for these items of expense in the case of the chains; whereas the wholesale bakers average in the highest and lowest territories more than 1 cent per pound as the cost of the same service.

Possibly the committee would be interested in knowing also the variation in costs, resulting from the size of bakeries. It is rather interesting that you do not find the decrease in the bakers' cost as the size increases that appears in many lines. In bakeries of over 20,000 pounds per day, the commission found the cost per pound to be 7.3 cents; in bakeries running from 5,000 to 20,000, 7.2 cents, and in bakeries from under 5,000 to 20,000, 6.9 cents.

The CHAIRMAN. It would rather indicate that the smaller the bakery the lower would be his production cost?

Mr. STEVENS. That is apparently indicated. The smaller the bakery the more economical, so it would seem, is the production. The reason, perhaps, is that the smaller bakeries retail and have less selling and delivery expense, whereas the large bakeries are usually wholesalers and selling and delivery expense is higher because of the fact that it is necessary to employ salesmen to sell the retailers. When you get to the large classes of wholesale bakers, they often sell entirely to the retailers, whereas the smaller bakery often sells only to the consumer.

The CHAIRMAN. The figure would indicate that the retail bakery is the most economical.

Mr. STEVENS. That would be the indication from the figures, so far as one might judge, and without any more detailed analysis.

The CHAIRMAN. It would result in a loss to have a large bakery, doing a wholesale business, supplying retail stores.

Mr. STEVENS. Considered from the social standpoint that would seem to be the indication. One hesitates to make a generalization of that sort, however, because we have made no detailed study of the facts, and we have nothing other than these figures on which to base it. There may be some consideration, therefore, that we do not know about, but undoubtedly the cost figures are something of an indication. There is not in the bakery business, apparently, on the basis of the figures, the tendency to lower cost as you increase the production.

The CHAIRMAN. I think it would be interesting if you could trace the wheat from the farmer to the sale by the retailer of the bread, showing how many times the wheat would be sold, etc.

Mr. STEVENS. I could do it in a rough fashion. The divergencies, of course, are such that I would have to take a situation and assume it is typical.

The CHAIRMAN. Exclude the cooperatives. They are organized on the theory that eliminates the middleman. Exclude them and take the regular and line elevators. Eliminate cooperation all the way through.

Mr. STEVENS. The first step in the process is the hauling of the grain from the farm to the country elevator, except in such cases as the farmer himself chooses to load cars and ship to the market, as he does in some instances. Where the farmer is in position to do this, he can cut down the middleman's charges. In North Dakota, particularly, you find a considerable amount of direct shipping by large farmers, who load their wheat direct.

The country elevator's handling charge is, of course, a merchandising charge, that is to say, the wheat is bought by the elevator company on the basis of what the elevator operator thinks the grain is worth. Now, he usually arrives at the price which he is willing to pay, by making deductions from the terminal market price, which deductions he considers will be sufficient to enable him to pay his cost of handling and allow some profit.

The CHAIRMAN. I want to know how many times that wheat is sold before the fellow who eats the bread gets it. The farmer sells to the elevator.

Mr. STEVENS. The farmer sells to the elevator, which is the first time it is sold. The elevator sells the great bulk of it at the terminal market. There is a certain amount absorbed by the local mills, in which case there is only one handling charge, the country elevator charge. There may be no handling charge, because sometimes it is sold by various farmers to a mill elevator direct, and in that case there no handling charge. The great bulk of the wheat, however, goes to the terminal market, that is, markets receiving 1,000 or more cars a year, as the commission has roughly defined it in one of its reports. Ordinarily it is sold through a commission house. That is perhaps the most customary method, so that where it is thus sold, there is a charge to be paid the commission man for the sale. In some cases the grain is sold direct by the country elevator to a terminal elevator, or mill, and as to many of those direct sales, the handling charge of the country elevator only should be taken into consideration, no commission being involved. In the case where the grain is sold by a commission man, however, his charge must be added.

If the grain or such of the grain as goes to the terminal market is bought direct by the mills at the terminal market, it will usually carry only two handling charges as grain. It will have to carry the charge for the country elevator, of course. It will carry the commission charge if sold on commission. In addition, it will carry as flour the miller's charge for milling.

Before going into the mill distribution, however, possible further steps will have to be considered; a large proportion of the grain sold on commission, already described, or bought direct in the country by terminal-market factors is purchased by terminal elevators, so that to much of the grain there must be added to the country elevator and the commission man's charge a terminal elevator charge. The terminal elevator sells to mills in many cases, but other cases to dealers, and on that account there may be still further terminal elevator and broker's charges, employed between the producer and the mill where the grain is finally consumed.

When the terminal elevator company sells direct to the mill, there is only one terminal-elevator charge, but you get anywhere from two to five charges, as a matter of fact, between the producer and the mill. Perhaps I should say one or five charges, because, as I have said, in some cases the grain is sold direct from the farmers to a mill elevator, as it is called, which is of course the same thing as selling direct to the mill, so there is only the mill handling charge in this situation. From the mill on, other handling charges accrue. The flour has to be sold, and the ordinary mechanism of selling flour is to sell through wholesale and retail distributors. Some is sold to retailers direct, and as to this there is only one additional charge besides the mill charge, but there are often both wholesale and retail charges on the flour to be added, making two charges. Then there is the bakery's charge. If it is a wholesale bakery, there has to be added to the flour price the bakery cost and profit and sales expense, and a second charge for retail handling where bread is sold through retailers.

If the bakery is not a wholesale bakery, then, of course, there is an elimination of one of the charges—that is to say, there is only one charge, which the retail bakers makes—but when the wholesale bakery is involved there is a charge of the wholesaler and the charge of the retail store. I ought to add that to this whole process, which involves a large number of handlings, in a large proportion of cases there must be added the cost of transportation, which is a very important and essential element. There is a cost of transportation from the farm to the country elevator. The farmer hauls in his grain and that involves a cost. Then there is a cost of transporting it from the country elevator to the point where it is sold, be it a mill or what not. If this point is a terminal market, a proportion will be absorbed there, but a considerable portion will move from the terminal market either to another market or to a consumption point, and, conceivably, some of it may move to a third market before it is finally consumed. In addition, there is the cost of transporting the flour from the mill to wholesaler and from the latter to the retailer.

I have here some figures, which show certain elements of this transportation charge.

Senator Ladd. I would like to ask you a certain question. Are there not many cases, additional brokers involved?

Mr. STEVENS. There may be brokers involved, as you suggest in connection with the grain, but, of course, this much is to be said in fairness to the brokers, handling aside from scalping. Brokerage rates in grain transactions are at present rates—most of the exchange rules prescribe a very low charge, around one-quarter of a cent a bushel, and it is not much of the total charge. Considering the total cost of distribution it is usually a comparatively small factor. The largest charge is in the distribution, and in the case of grain the country elevator's charge and the charge of the terminal elevator are most important.

Senator Ladd. The wholesaler employs his own broker, does he?

Mr. STEVENS. Yes; he may.

Senator Ladd. He takes a commission? He buys through another broker, representative of the flour manufacturer, and he takes a commission?

Mr. STEVENS. Yes, sir; he may but brokers are not very important in the flour business. You may also have two brokers in wheat. The situation may be this. A miller in one town may employ a broker to buy grain in Minneapolis or Chicago, and the individual in question gets in touch with a broker in Minneapolis. There may be two brokerage charges, so far as wheat is concerned, but if you bear in mind that it is usually about one-quarter of a cent per bushel, even though you have two brokerages to pay it is not a very heavy element in total cost.

The transportation element is a very serious factor in the situation, particularly in view of the low price of grain itself. Freight rates having increased enormously. The rates in effect on wheat March 1, 1921, from certain country points to certain terminal markets, will give you some idea of how great the burden transportation may constitute. This represents simply the initial

ortation stage, that is, to get the grain from the country to the terminal market. It has nothing to do with the further transportation elements in case the grain goes beyond there, and the flour, of course, does move beyond such terminal markets.

From Whitestone, Ind., to Chicago, Ill., the rate was 10.20 cents per bushel in wheat.

The CHAIRMAN. From where?

Mr. STEVENS. Whitestone, Ind.

The CHAIRMAN. What part of the State is that in?

Mr. STEVENS. I can not give you that. I have taken these at random.

Senator HARRELD. What is the town?

Mr. STEVENS. Whitestone.

The CHAIRMAN. Why did you use that as a basis? There must be some reason for that.

Mr. STEVENS. I can explain that. Most of these points were taken as being located fairly near to the grain production centers. The situation, of course, is that the rates that we got from particular points are applicable to a large proportion of the territory around that town. From Whitesome, Ind., to Buffalo, N. Y., the rate was 16.80 cents.

Senator HARRELD. Per bushel?

Mr. STEVENS. Per bushel on wheat.

Senator KENDRICK. What proportion of the value of the wheat was that?

Mr. STEVENS. I can not tell you the exact price of wheat at that time, but am just indicating how large a factor the freight must be. The rates in question hardly represent 10 per cent of the price in early 1920, but nearer to 20 or 30 per cent in 1921.

From Eureka, Ill., to Chicago the rate was 7.50, and to St. Louis 12.90. From Lyndon Station, Wis., to Chicago the rate was 12.60, and to Minneapolis it was the same. From De Graff, Minn., to Chicago the rate was 17.40 cents per bushel, and it was the same to Milwaukee. It was 11.40 cents to Duluth, from Bradford, N. Dak., to Minneapolis and Duluth the rate was 13.80.

Senator LADD. Is that a bushel?

Mr. STEVENS. Yes sir. From Martinsdale, Mont., to Duluth and Minneapolis, 18.0 cents, and from Manchester, S. Dak., to Chicago, 23.10 cents.

Senator HARRELD. What year was that?

Mr. STEVENS. 1921. These freight rates became effective, I believe, on January 1, 1921. Manchester, S. Dak., to Chicago and Milwaukee, 23.10. From Benedict, Nebr., to Galveston, 42 cents.

The CHAIRMAN. Why does the commission say Benedict? Why did you not take a town, for instance, like Omaha? Benedict is a little bit of a place.

Mr. STEVENS. I have the rates here between certain other markets, but, you see, I took the country rate to indicate the freight rate which the producer has to pay. These are all country points, and it shows the freight rates which the producer has to pay to get his grain to the market. The freight rate between Omaha and Chicago and Omaha and Galveston shows a further movement.

Senator KENDRICK. From one terminal to another?

Mr. STEVENS. From one terminal to another and from the producer's standpoint I do not think that is as important, because the rate that the producer has to pay is the rate into the terminal market.

Senator HARRELD. What we are trying to find out is the rate where the wheat is produced to where it is sold.

Mr. STEVENS. Yes, sir; I will not burden the committee. Janssen, Kans., to New Orleans, 34.5 cents; to Galveston, 34.60.

The CHAIRMAN. Were those compilations made before the last increase in freight rates?

Mr. STEVENS. No, sir; and I am about to give the history of the rates.

The CHAIRMAN. All the rates that you gave us are too low.

Senator KENDRICK. All the rates given so far represent bonuses to the producer, compared with the rates from my State to market.

The CHAIRMAN. Your State is not in the Union, Senator.

Let me get that now. I want to know whether I have got it correctly. You say these rates that you have given us are the latest rates?

Mr. STEVENS. No; they are not the latest rates.

The CHAIRMAN. The latest rates are higher?

Mr. STEVENS. No, Senator; because—let me read this statement:

The rates on grain which I have cited became effective in August, 1920, I understand, when there was a general western section increase of 35 per cent except north of the Ohio and around the Mississippi River, and the Northwest, in which territory the rate increase was 40 per cent. The rate increase in the South generally was around 25 per cent. That is my information from the Interstate Commerce Commission.

In September, 1921, a reduction was made on export grain, and there was a general reduction on grain in January, 1922. The amount of that reduction I do not know; and it occurs to me, if I may offer this suggestion, that it might be desirable for the committee to have a representative from the Interstate Commerce Commission here to discuss the rate situation, because these figures which we have secured ourselves from the Interstate Commerce Commission in making certain tabulations would seem to indicate in the present situation of the low price of grain particularly, that the freight rate is simply a most important factor in the situation.

Senator KENDRICK. You mean the proportion of value?

Mr. STEVENS. The proportion of the freight rate to value is so high. When you consider a price around \$2.35 or \$2.40 per bushel, say, January, 1920, somewhere around there, probably, for No. 1 and No. 2 grades—when you consider a price of that size or higher at that time, it does not seem so serious, because a freight rate of 24 cents a bushel is only 10 per cent, but when you cut the price of grain one-half it becomes a more serious factor.

Senator KENDRICK. Especially when you increase the rate, as was done in the case Ex parte 74, which applied west of the Missouri River, on the basis of the 35 per cent increase, and the freight rate increased that amount, and the property of the farm reduced 55 per cent, you can glimpse the hardship that it worked on the shipper.

Mr. STEVENS. Yes; the situation after that increase, when farm products were dropping, must have been bad, because every day the price went down in proportion, of course, to the total price consumed by freight charges which increased. I do not know what the amount of the general reduction ordered in January, 1922, was, but even though it was considerable it could scarcely bring down the freight rate to a point that was much lower than in January, 1921, unless it was very drastic. It may have been sufficiently drastic to do that.

It occurred to me, as I said, that the committee might find it worth while to ascertain the situation with regard to freight rates and the proportion they constitute of the price of grain.

Senator LADD. Has the Federal Trade Commission investigated anything with regard to discrimination in rates?

Mr. STEVENS. We generally do not have anything to do with investigating into rates. These freight rate increases, as I understand it—though I am not competent to testify on these points, as I am not a rate expert—were on a percentage basis. The increase was a straight percentage increase.

Senator LADD. That was the order of the Interstate Commerce Commission?

Mr. STEVENS. Yes, sir.

Senator LADD. Did the railroads succeed in any way in evading that?

Mr. STEVENS. I do not think so. We have some reason to think, Senator, from material we have secured, that the result of putting into effect the increase which, as I say, was a percentage one, was to dislocate the whole customary method of shipping grain, because the rate structure for grain had been built very carefully, and there were certain established differentials between different points. When you put a percentage increase into effect it is certain to dislocate somewhat that structure.

It became impossible, in a number of cases, for certain markets to compete for grain from certain areas, whereas formerly they had been able to do so. The percentage increase was such that it forced the transportation charge to some points out of line with the transportation charge to other formerly competing points.

The CHAIRMAN. I asked the question, because on one single road the rate from one point to Minneapolis is 13.5 cents, and just one mile away is another station where the rate is 16 cents, and I could name hundreds of instances.

Mr. STEVENS. May I ask this? Does not that occur because of the fact that they have to have certain rate-break points where the rates increase. If you are establishing a zone system the rate has to increase at some point or other.

Senator LADD. If that condition exists, would it not be putting one community out of business as compared with another community?

Mr. STEVENS. It certainly is, to a certain extent, discriminatory against the community that pays the higher rate. That may be a basis for criticism.

Senator LADD. That would be true on a mileage basis. If you get farther from the market the rate would increase?

Mr. STEVENS. Yes, sir.

Senator HARRELD. You have got to change your system of making rates and base that system on a mileage basis.

Senator KENDRICK. In estimating the cost in the movement of grain from the farm to the consumer, the ultimate consumer, has the commission reached my conclusion as to the number of fixed charges of a middleman representing middleman that might be eliminated?

Mr. STEVENS. We have not made any calculations of that sort. What the commission did was to ascertain about the number of handlers. It is attempting now to estimate and determine as well as it can, from the returns we get from 9,000 elevators, about the number of handlings to which grain is subjected. It is tentative, and I do not know whether it will work out, but an effort is being made to ascertain the situation.

Senator KENDRICK. Do you find a uniformity of charges and profits between the cooperative elevators and the terminal elevators?

Mr. STEVENS. You mean between the cooperative country elevators and the terminal elevators?

Senator KENDRICK. Yes, sir.

Mr. STEVENS. That is not strictly a comparative proposition. The results shown by the cooperative elevators, as far as they were ascertained, were splendid. They apparently buy grain on the narrowest per bushel margin, and they seem to earn the highest rates of return on the investment.

Senator KENDRICK. They have eliminated apparent profiteering.

Mr. STEVENS. It is not exactly that. The situation appears to be that the vital factor in the operation of the country elevator is volume—if you give an elevator a sufficient amount of business that elevator can handle on a narrow margin, but if you cut the volume in half, you will find an increase in the margin. Take line elevator results. Line elevators show constantly a higher margin per bushel for handling than do either the independent type or the cooperative type, but you also find that the line elevator does not handle nearly as much grain as the other two types of houses.

Senator KENDRICK. Which accounts for the increased cost?

Mr. STEVENS. That is probably the situation. There is, apparently, a consistent correlation "as down goes the business, up goes the margin per bushel." That seems to be the situation, and the cooperatives are handling a huge volume for reason of patronage dividends, etc.

The CHAIRMAN. These three elevators are in competition with each other?

Mr. STEVENS. Yes.

The CHAIRMAN. Suppose, for instance, there is a representative elevator of each kind in one town; ordinarily the cooperative elevator would get more wheat than the other?

Mr. STEVENS. Yes.

The CHAIRMAN. Does more business.

Mr. STEVENS. Does more business, yes.

The CHAIRMAN. Therefore the overhead expense—

Mr. STEVENS (interposing). Decreases per bushel.

The CHAIRMAN (continuing). Would be less than the other elevators.

Mr. STEVENS. That is the situation, as near as we can ascertain.

Senator HARRELD. Referring to another phase of your testimony, it would seem that wheat starting from the producer and going through the channel, would only pass through the hands of three or four middlemen, while another shipment of wheat, starting from another point, would pass through 6 or 12.

Mr. STEVENS. I do not think it would run as high as that. In some shipments of wheat there is practically no handling at all, where the farmer—

The CHAIRMAN (interposing). Sells to the mill?

Mr. STEVENS (continuing). Sells to the mill. There is nothing there except the transportation charge.

Senator HARRELD. What is the other extreme?

Mr. STEVENS. The other extreme is pretty hard to state. It would represent, probably, a country elevator selling through a commission man to the terminal elevator. I would guess about six or seven would be the maximum on the wheat.

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Senator HARRELD. Go on to the consumer.

Mr. STEVENS. If you include the consumer, very likely you could say as many as 10 or 12 as a maximum, because allowing a maximum of five or six handlings for the grain, you have to allow a maximum of three or four for the mill, including the broker and wholesaler and retailer of flour, and a maximum of at least two for the baker.

Senator HARRELD. It is possible, then, to be handled ten times.

Mr. STEVENS. I should say so unquestionably. I do not think that that would be true of any considerable proportion of the crop, however.

Senator HARRELD. Let me ask you this question: Which one has the greatest effect upon the price, the making of the price or the product?

Mr. STEVENS. The wheat or the flour?

Senator HARRELD. The product itself produced by the farmer. Is not the wheat that is only handled once or twice—

Mr. STEVENS (interposing). You are asking me to state that the cost is the thing that determines the price, and I do not really think you can say that the cost is determinative of price.

Senator HARRELD. How do you determine price?

Mr. STEVENS. Supply and demand for the commodity involved, and I do not deny—I do not mean cost is not a factor, but you know concerns do sell below cost.

Senator HARRELD. The cost of handling augments the price.

Mr. STEVENS. It tends to do that, but on the other hand, that is only one factor. In other words, the farmer is selling below cost or, at least, he may sell below cost, but it is because of a particular supply and demand situation.

Senator HARRELD. The man who sells without letting his goods go through a middleman gets a profit. The man paying the middleman makes the loss.

Mr. STEVENS. He perhaps makes a better profit than the man whose grain travels through the hands of more middlemen, but not necessarily so. The price at which the mills will buy, in the case of direct shipment to them, is going to be based on the terminal market price less freight deductions. The mill will not bid for grain in the country at an appreciably higher price than that prevailing at the terminal market, less the freight.

Senator HARRELD. The baker that makes the bread from wheat that is only handled once or twice would make more than the baker who handles the wheat that goes through 10 hands.

Mr. STEVENS. That is likely to be the situation in some cases. You are correct in that. You may find a very wide range of margins in the case of bakers. Some bakers are using flour which cost \$6.50, others \$7.50, and others \$8.50, and if the baker who uses \$6.50 flour is able to sell his bread in competition at as high a price as those using \$8.50 flour he has a decided advantage.

Senator HARRELD. If you cut out the middleman would that not help out the farmers?

Mr. STEVENS. I did not get that.

Senator HARRELD. The conclusion is, if you cut out the middlemen it will help the farmer.

Mr. STEVENS. If you reduce the cost the consumer and producer would benefit.

Senator HARRELD. The cooperative movement would help cut out the middleman?

Mr. STEVENS. Yes, sir.

The CHAIRMAN. What do you mean by \$6.50 flour?

Mr. STEVENS. That is the price at which the baker buys it.

The CHAIRMAN. The baker pays \$6.50 per barrel?

Mr. STEVENS. Yes, sir.

STATEMENT OF MR. M. R. COOPER, FARM MANAGEMENT AND FARM ECONOMICS, DEPARTMENT OF AGRICULTURE.

Mr. COOPER. Cost of producing wheat: With your permission I shall attempt to present for your consideration some of the principal phases of cost of wheat production as outlined in United States Departmental Bulletin No. 943, entitled "Cost of producing wheat." In this discussion your attention is invited to the following phases of costs:

- (1) Average cost figures.
- (2) Variation in acre and bushel costs.
- (3) The bulk-line theory.

(4) Cost of wheat in 1919, 1920, and 1921.

(5) The wheat farmer's present position.

First. Average costs figures: The question is often asked, How much does it cost to produce a bushel of wheat? This question sounds innocent enough. Viewed casually it does not seem especially difficult. One unacquainted with the uncertainty of farming, and particularly of grain farming, might fancy that the solution of this problem would be very easy. As a matter of fact, the problem is not only difficult but, in a certain sense, it is a problem that can not be answered with one definite figure, for the conditions of production are so variable that it is not possible to cite any one figure as representing the cost of a bushel of wheat. It is quite possible, of course, to figure out the average cost of a bushel of wheat for a given region or for the whole country, providing the necessary data on cost of seed, labor, use of land, etc., are available, but when the "average cost" is determined it does not always serve the purpose it is popularly supposed to serve in presenting the relations between costs and prices.

The average cost merely tends to divide a group into two classes of about equal size. In other words, one-half of the farms concerned would be indicated as producing wheat at a cost above the average, and the other half at a cost below the average. On this basis, if the average cost was the same as the selling price, about one-half of the farmers would be producing at a loss. In general, when the price of a commodity goes so low that production is a 50-50 gamble, the tendency of many of the producers is to substitute, so far as possible, other farm enterprises that promise a better chance of profit. The average cost has sometimes been used as representing a definite and specific cost figure, and the public has become accustomed to using the average as a statistical yardstick in measuring the cost of producing farm products. However, it is desired to emphasize the point that an average cost figure, while useful in many respects, does not by any means tell the whole story. Wheat and all other farm products are produced by a great many individual farmers. The average tends to give a cost picture of the industry as a whole, but does not bring out the different conditions and practices incident to production, which have so great a bearing on the welfare of the individual, and consequently on the entire industry.

Second. Variations in costs: During the fall and winter of 1919 the Office of Farm Management and Farm Economics gathered cost figures on the 1919 wheat crop from 481 farms, located in the six great wheat-growing States of the Middle West—Kansas, Missouri, Nebraska, Minnesota, and the two Dakotas. As an illustration of the variation in costs, your attention is directed to the results obtained in the winter wheat producing States just mentioned. In all, 284 farmers were visited in nine counties in Kansas, Missouri, and Nebraska. It is only necessary to glance at the array of costs obtained from these farmers to readily understand why the average is but one of many costs that must be taken into consideration in order to obtain a complete picture of the situation. On these 284 farms the average cost per acre was \$27.80, and the range in cost per acre was from \$10.55 to \$50.23. This wide range in cost is indicative of variations, but like the average, does not tell the entire story, for on closer observation it is seen that 8 per cent of the farmers had costs between \$10 and \$20 per acre, and 18 at costs greater than \$40 per acre. In other words, 79 per cent of the men had costs ranging from \$20 to \$40 per acre. These variations in acre costs are plausible, to be expected, and readily understood when the important variations in farming practices are known. For instance, a part of the wheat acreage was listed, a part plowed and thoroughly prepared, and a part merely disked and stubbled in. Also, the yield of wheat ranged on individual farms from less than 2 bushels to over 30 bushels per acre.

The range in cost per bushel was from \$1 to \$8.20. On first thought this may be surprising, but further analysis indicates that while extreme cases of high and low costs must be expected to occur, only 18½ per cent of the wheat cost less than \$1.50 per bushel, and 11½ per cent cost more than \$2.50. In other words, 70 per cent of the wheat grown on these farms cost between \$1.50 and \$2.50 per bushel, and nearly one-half of the total production cost from \$1.50 to \$2 per bushel.

Low yields are associated with high bushel costs. Yield is the most variable factor in determining the cost of a bushel of wheat. A farmer may go to great expense in preparing for a crop only to have it injured or destroyed by

adverse weather conditions or disease and insects. A low yield per acre means a relatively high cost per bushel. This is true where the acre cost is low as well as where it is high. The wide variation in yield per acre which prevailed in the winter wheat section surveyed are indicated by the following figures:

The average yield was 14.9 bushels per acre; 15 per cent of the farms had yields between 3 and 10 bushels per acre; 60 per cent of the farms had yields of between 10 and 20 bushels per acre; 25 per cent of the farms had yields of between 20 and 30 bushels per acre.

In our analysis of these farms they were grouped according to yield per acre. The group of lowest yields showed an average cost per acre of \$16.50 and the acre costs gradually increased as the yield increased, until in the highest yielding group the acre cost was \$40. This increase in acre costs had less effect on the bushel costs than did the increase in yields, and the lowest yielding group cost \$5.14 per bushel. Each succeeding group cost less, until in the highest yielding group the cost was \$1.47 per bushel. Such variations in bushel and acre costs indicate that there is more or less opportunity to increase profits by better farm organization by more attention to costs with the idea of cheaper production, and by the adjustment of total production and distribution in accordance with the demands of the market.

Third. The "bulk-line" theory of cost: It will be seen from the foregoing data that it is not possible to give an offhand answer to the question of the cost of producing a bushel of wheat. It is possible, however, to present cost figures that will be of value to farmers in reorganizing their lines of production in reducing certain items of cost, and in testing the efficiency of their operations. From the consumer's standpoint cost figures show problems of the producer and emphasize the importance of a price which will maintain a continuous and steady supply of food.

Usually 40 to 50 per cent of the production is grown at a cost above the average. It follows that one must consider the cost that is representative of the bulk of the production of a given product in order to arrive at a cost figure that approximates what the price should be to maintain the industry on a proper basis. This consideration has led to the development of the "bulk-line" theory of cost in its relation to price, which had assumed an important place in the field of economic research.

The "bulk-line" theory is a modification and an attempt at practical application of the "marginal cost" or "graded cost" theory of the relation of cost and price. The price which stimulates the right amount of production has been called the "necessary" price, and the cost corresponding to this price has been termed the "bulk-line" cost.

In reality the "bulk line" varies with different commodities, and from time to time, according to the alertness with which farmers adjust their production to market conditions. What this "bulk-line" cost will be depends upon a number of things, including the rent the farmer must pay for land, labor, and capital, and the standard of living which farmers as a class insist upon if they are to remain on the farm. The figures thus far available on cost of production represent merely the first efforts of research along this important line. Much more data than are now available for the different crops and other farm enterprises should be gathered, analyzed, and interpreted to bring out existing facts in the cost problem.

Fourth. Cost of wheat production 1919, 1920, and 1921: Average costs are of value in computing costs of production trends, and in this connection we have computed the cost of producing wheat in 1920 and 1921, using as the basis the results obtained in our cost work in 1919. The average cost of producing an acre of winter wheat in 1919 was nearly \$28. In 1920 the cost was 15 per cent higher, and in 1921 it was about 94 per cent of the 1919 cost.

The 10-year average yield in the counties survey (1910 to 1919) was 14.7 bushels per acre. Using this average yield as a basis for computing the bushel costs, we find that in 1919 the cost was \$1.87 per bushel; in 1920, \$2.17; in 1921, \$1.78. The price of wheat reached its height in June, 1920. Plans were laid for the 1920 crops when wheat prices were rising. Wages increased about 14 per cent over 1919 wages. Land prices in the spring of 1920 were about 25 per cent higher than in the spring of 1919. Consequently the 1920 crop was seeded in anticipation of a good price for the wheat when harvested. In July, 1920, wheat prices began to fall. Some of the men were able to harvest their crop and sell a part of it before the decided slump came in November. The majority, how-

ver, were compelled to sell at greatly reduced prices, and the losses sustained were felt keenly, especially by those who had borrowed money to produce the crop and had obligations to meet when the crop was sold. During 1921 the average price of farm labor was about 75 per cent of what it was during 1919. The cost of horsepower was about 65 per cent of the 1919 cost, while seed wheat was about the same. On the other hand, land, while not changing hands to any great extent, was valued per acre at about the same price as in 1920, which was about 25 per cent higher than in 1919.

In all, wheat production costs were about 6 per cent lower in 1921 than in 1919, whereas the farm value of wheat in the States surveyed was \$0.93 on December 1, 1921, as compared with a value of \$2.15 on December 1, 1919. Thus, it is obvious that the price of wheat declined much more rapidly over this period than did the cost factors of wheat production, and when the break came in 1920 the majority of the farmers were left with comparatively cheap wheat in their hands that was produced during the peak of recent high costs.

Those figures, as previously mentioned, are for the Mid-West winter-wheat belt. Similar computations were made for the spring-wheat-producing area, and the general conclusions are much the same as those shown for winter-wheat production.

Fifth. The wheat farmers present position: During the early summer of 1920 the Office of Farm Management and Farm Economics conducted a farm organization and cost study in the Palouse wheat regions of eastern Washington and northwestern Idaho. The data were obtained for the crop year of 1919. Your attention is called to the results obtained in this survey as the basis for arriving at the present condition of the farmers. This is one of the best wheat-producing sections of the United States. The average size of these farms is about 300 acres. The practice of summer fallowing is followed, and naturally the acre costs run relatively high. On the other hand very good yields are obtained. Both winter and spring wheat are grown, and in 1919 the winter wheat averaged 29 bushels and the spring wheat 20 bushels per acre on the farms visited.

The total cost of producing wheat includes the cost of man labor, horse labor, seed, twine, threshing, taxes, insurance, use of machinery, land rent, and miscellaneous costs.

Cost to owner farmers: The total computed cost of producing wheat to owner farmers in 1921 was \$1.47 per bushel. Omitting land rent and interest on equipment, the operating cost was 93 cents per bushel, and leaving out land rent, interest, and the value of the labor performed by the operator and his family, the actual cash cost was 69 cents per bushel. The 1921 selling price of wheat in this area was around 86 cents. This leaves a margin of 17 cents per bushel over and above the actual cash cost of production. Considering the entire farm business these owner farmers averaged around \$775 net for the year 1921. This \$775 represents the amount of cash left for living purposes above that furnished by the farm, interest on an average investment of \$46,000, and wages of the farm operator and his family.

Cost to tenant farmers: The 1921 computed cost to 71 tenant farmers in this region was: Total cost, \$1.16 per bushel; operating cost, \$1.08; and cash cost, 76 cents per bushel. The tenant's average net income for the year was around \$225. This is indeed a small amount for his year's labor, interest on a \$4,500 investment, and his cash living expenses.

The landlord's net income was around \$640. The average investment of the landlord in this region was slightly over \$43,000. The \$640 represents an average net return of 1.5 per cent on the investment.

Certainly farming in the Palouse country as measured by the returns last year is not at all attractive. Viewed in this way, there is no doubt but that at present these farmers are in a precarious financial position. As a class they have lost or stand to lose considerable money, and some no doubt are unable to meet their present financial obligations. However, during the previous period of high farm prices some of these farmers made good incomes. Those who have their farms paid for are in an enviable position as compared with the others, and many will be able to take their past losses and continue farming for a while at least. Those who purchased farms during the recent period of inflation and those who are heavily in debt are in no position to take such losses as occurred last year. The tenant's present position is not very promising. Cash production costs last year approached so near to the selling price of the product that it is perfectly conceivable that some tenants would be

forced to seek other employment or be financed by others in order to meet living expenses. As to the landlord, the conclusions are evident. These men received a net income of 1.5 per cent on their investment last year. Should the present conditions continue for any length of time, the tendency will be for real estate values to decrease immensely and capital to seek other sources of employment that will offer better returns.

The CHAIRMAN. I have a letter, dated February 11, 1922, from Secretary Hoover, inclosing a report on the Russian relief situation made to the President on February 9, which I will ask the reporter to copy into the record.

(The papers referred to are as follows:)

DEPARTMENT OF COMMERCE,
OFFICE OF THE SECRETARY,
Washington, February 11, 1922.

Hon. GEORGE W. NORRIS,

Chairman Agricultural Committee, United States Senate.

MY DEAR MR. SENATOR: The secretary of your committee has called my attention to the evidence given by Mr. Benjamin Marsh before your committee on February 8.

If the committee wishes to pursue the matter, I would, of course, be glad to place at its disposal any information I may have in this connection, but I would like to say at once that there is not one single line of truth in any statement made by Mr. Marsh either in respect to myself or the situation in Russian relief.

I am inclosing, as of possible interest to you, copy of the report on the Russian relief situation made to the President on February 9.

Yours, faithfully,

HERBERT HOOVER.

REPORT RECEIVED BY THE PRESIDENT FROM SECRETARY OF COMMERCE HOOVER IN REGARD TO THE RUSSIAN RELIEF SITUATION.

FEBRUARY 9, 1922.

The PRESIDENT,
The White House.

DEAR MR. PRESIDENT: I am very glad to respond to your inquiry as to the general status of the effort to relieve the Russian famine.

The American Relief Administration appointed by you to distribute the congressional appropriation also distributes food, clothing, and medical supplies from a number of other sources. The total resources of this organization since the beginning of its work in Russia are in round numbers as follows:

Congressional authorization of Dec. 22-----	\$20,000,000
Surplus medical supplies appropriated by Congress Jan. 20-----	4,000,000
Existing charitable balances of the relief administration-----	10,000,000
American Red Cross contribution of medical supplies-----	3,600,000
Laura Spelman memorial-----	500,000
Jewish joint distribution committee, initial contribution-----	700,000
Jewish joint distribution committee, special donation-----	161,000
Volga Valley Relief Association-----	145,000
Federal Council of Churches of Christ in America-----	50,000
International committee Y. M. C. A-----	50,000
Mennonite central committee-----	58,000
Food transfers from individuals and groups in the United States to individuals in Russia-----	870,000
Food transfers to the American Friends' service committee-----	265,000
Furnished by Soviet Government in gold, January-----	10,200,000
Furnished by Soviet Government in gold, February-----	2,000,000
 Total resources-----	 52,599,700

SHIPMENTS.

The American Relief Administration extended its work from children in other parts of Europe to children in Russia in September, 1921. Until the passage of the congressional appropriations on December 22 and January 20,

and the receipt of the gold contribution from the Soviet Government on January 10, it was dependent upon its reserve of charitable funds, and confined its work to children and transmission of food orders. It has gradually increased its service up to feeding 1,200,000 children on the 1st of January.

The larger resources made available at the first of this year permitted a program of distribution to adults and the provision of seed. Under your direction a purchasing commission for the congressional fund was established on December 24, through whom all purchases are made from the lowest bidders. The first ship from this fund was dispatched on January 1, and during that month 24 full American shiploads and several part cargoes were dispatched on all accounts. These shipments included 301,056,000 pounds of corn, 31,632,000 pounds of seed wheat, 25,700,000 pounds of milk, and sundry food and medical supplies for children, making a total of 160,000 tons. During February about 150,000 tons will be dispatched.

The resources of the administration in hand will permit of the shipment of approximately 600,000 tons as from January 1, and the last shipment from America to be of use before harvest is about the end of May.

DISTRIBUTION.

The American Relief Administration operates under agreement with the Soviet authorities of last August which has secured the release of American prisoners, and so far proved by experience to give protection to the personnel and independence in actual American distribution. Under this agreement the Soviet authorities furnish free all transportation, warehousing, buildings, and currency required for payment of Russian staff. American personnel is largely voluntary, and the whole overhead is borne by its own special funds, so that the entire congressional authorization is devoted to purchase and transportation, without other charges.

The method of distribution is to set up local committees on a strictly non-sectarian and nonpolitical basis. Many thousand such committees have been created by the administration, and over 6,000 feeding stations under the name of the American Relief Administration have so far opened in the different towns and villages. These committees are usually under the chairmanship of the local doctor or school-teacher and embrace in their membership every section of the local community, the whole under American direction and supervision. There has been faithful cooperation almost everywhere. The exceptions are easily attributable to the indifference and insolence of the type of officials who have never possessed human compassion or a spark of human kindness.

So far the rule of the administration, maintained for years throughout Europe, has been adhered to of issuing no food except that eaten on the premises, and requiring evidence of actual undernourishment before admission. Methods have been worked out for proper checks on issues to peasants in their homes in certain cases.

THE SITUATION IN RUSSIA.

The famine is proving of even larger dimensions than anticipated, for the agricultural decadence outside the special drought region of the Volga Basin is so severe in some places as to amount to famine. The amounts of food estimated by the Soviet authorities as being available for towns in the non-drought area seems to have been much overestimated.

The neck of the bottle in relief to the drought area is port facilities and transportation inside Russia. It is impossible to determine at this moment what quantities can be handled, because the maximum pressure upon ports and railways will not occur until the large arrivals during this month. Already the Soviet transportation authorities have requested that the rate of dispatch (now 5,000 tons daily) should be slowed down, owing to their inability to handle such large quantities, and already there have been congestion and delays at some points. American transportation and port experts have been sent in the hope of increasing the volume of movement. Both Finnish and Polish Governments have offered free railway transport during the past few days, and some increase can be had by using their ports.

The intensity of the famine is undoubtedly beyond any capacity of the accessible ports and railways, even if shipments were expanded considerably. In consequence there will be a great death roll under any present probable internal movement in Russia.

OTHER AGENCIES RELIEVING RUSSIA.

The American Relief Administration has made no appeal for general public charity to Russia. I have not believed that any adequate solution was possible through dependence upon such resources, in view of the overwhelming need in Russia and the great necessities of our home charities. On the other hand no one would wish to discourage or to compete with any legitimate effort to alleviate suffering, no matter how small. I have considered at all times that American charity to all countries should be distributed in the name of America under active American personnel.

In the early fall, under your suggestion, arrangements were settled for co-ordination between the various American charities then interested in Russian relief, with a view to assuring the efficient handling and distribution of the supplies under American direction inside Russia. The growing intensity of the famine has enlisted the interest of additional organizations and stimulated the creation of many new committees through the United States of various religious and political faiths. The organizations appealing for charity in America may be classified into several groups:

(a) Those organizations whose contributions are distributed in Russia by the American Relief Administration and who are represented upon the central relief staff at Moscow—that is, the American Red Cross, Jewish joint distribution committee, Volga Valley Relief Society, the Federal Council of Churches, the Southern Baptist Convention, National Lutheran Council, the Young Men's Christian Association, and the Mennonite Central Committee. The totals so far furnished by this group are shown above. The Council of Churches, the Southern Baptist Convention, the National Lutheran Council, and the Volga Valley Association are all engaged in strengthening their resources. The Jewish joint distribution committee informs me they will make a further contribution of at least \$5,000,000 if their present drive for funds proves successful.

(b) The American Friends service committee (Quakers), and the Russian famine fund, of New York, which distributes through them. This committee distributes through its own American staff in Russia and coordinates its work with the relief administration. I am informed by the Friends that their resources total about \$1,000,000, of which \$285,000 is included above.

(c) The Near East relief committee, primarily concerned with Armenians and Syrians, but interested in Russia because of the inclusion of Caucasus Armenia in Russia. I am unable to estimate the amount of their expenditures upon the Armenians. It amounts to considerable sums.

(d) The group of committees purchasing their supplies through the American federated Russian famine relief committee, of New York.

One group of these committees, comprising the friends of Soviet Russia, the Soviet Russian medical relief society, the technical aid to Soviet Russia, and some 200 affiliated organizations whose activities are under the general direction of Dr. Jacob Hartman, are frankly communistic committees, appealing to the communistic and socialist sections of the United States and sending their supplies to the communist authorities in Russia.

Another group of committees is affiliated with the same purchasing agency and centers around the Russian Red Cross whose directing head in the United States is Dr. Dubrowsky, an agent of the Soviet government. The Russian Red Cross, inside Russia, is a reconstruction of the prewar Russian organization, under the general control of the Soviet government and has been recognized by the International Red Cross at Geneva. The committees affiliated with the Russian Red Cross comprise the American committee for Russian famine relief, of Chicago; the American committee for relief of Russian children, of New York; the Canadian famine relief committee, of Winnipeg.

The American federated Russian famine relief committee has apparently secured about \$350,000 in cash and some \$200,000 in kind from both the above groups.

(e) The international committee in Europe, under Dr. Nansen, through whom the British "Save the Children Fund" and other funds provide about \$2,500,000; the Norwegian, Swedish, Italian, and other European national funds which also distribute through this agency. The French Government has voted \$550,000, and the totals available to Dr. Nansen's organization apparently amount to about \$4,000,000.

The relief administration hopes to sustain from 6,000,000 to 8,000,000 people, and all the other associations (outside of Armenia) expect to care for some 400,000 to 500,000.

It would not be appropriate for me to close this report without an expression of appreciation, as its chairman, of those men and women who carry the real burden of the American Relief Administration. I append a list of its membership. I especially commend to you its officials, and I would add a further word upon the staff of over 100 Americans in Russia who in the famine region are themselves enduring the greatest of hardships and are showing an ability and devotion and a courage worthy of our best traditions. The pathetic gratitude of the Russian people is impossible of description, and the millions of lives saved will be indeed a sufficient recompense to the American people for the very great sacrifices they are making to render this service possible.

Yours, faithfully,

HERBERT HOOVER.

(Whereupon the hearing was adjourned, subject to the call of the chairman.)



STABILIZING THE PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

FRIDAY, MARCH 2, 1922.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to call, at 10.30 o'clock a. m., in room 224, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), McNary, Capper, Keyes, Gooding, Ladd, Norbeck, Smith, Ransdell, Kendrick, Harrison, Heflin, and Caraway.

The CHAIRMAN. The committee will come to order.

I have asked Mr. Paxton Hibben to appear before the committee this morning and tell us about the situation in Russia, not only as it applies to this bill, but for our general information.

STATEMENT OF MR. PAXTON HIBBEN, INDIANAPOLIS, IND.

The CHAIRMAN. I wish you would give your name, address, and business, and then proceed in your own way to tell us what you know about the situation in Russia.

Mr. HIBBEN. My name is Paxton Hibben. I was born and raised in Indianapolis, Ind., captain, Field Artillery, Reserve Corps.

Senator RANSDELL. You were at one time connected with the Diplomatic Service, I understand.

Mr. HIBBEN. I was in the Diplomatic Service from 1905 until 1912.

Senator RANSDELL. Where were you located?

Mr. HIBBEN. I was located for two years in Russia. That is one reason why I am here, and why I have been interested in the Russian situation. I was in Russia at the time of the Russian-Japanese War, and I know a great deal of the Russia of the old days, and from the experience I have had with the Russian Mission of the Near East Relief, I am familiar with the Russia of to-day. I was secretary of the Russian Mission of the Near East Relief, which studied the food situation there to ascertain what could be done to help the Russian people. We traveled 5,750 miles in Russia, including the whole length of the Volga district, studying the whole situation at first hand. We had with us our own interpreter, Mr. Frank Connes, an American, an interpreter of the Supreme Court of the State of New York, so that we got our information direct without the intermediation of the Russian Government at all. We talked to the peasants and people throughout the Volga district, and we made a report which I think each one of you gentlemen here has received. At least a copy was sent to you. This is the report.

The CHAIRMAN. That was the report printed in *The Nation*?

Mr. HIBBEN. Yes. We, ourselves, at our own personal expense, sent each one of you gentlemen a copy of that report. You will find in that report, gentlemen, a very complete list of our findings in regard to the situation.

The CHAIRMAN. How long since you returned from Russia?

Mr. HIBBEN. In October, sir. We made this investigation on our own responsibility entirely, as Americans interested in the famine situation there. We went into Russia to look the thing over and to report to Mr. Hoover or anyone else who happened to be interested, because we felt that Americans on the ground should get authentic information as quickly as possible, to present to this country. We presented that report to Mr. Hoover, and the recommendations in that report are quite in line with the bill which is under discussion. One recommendation at the end here is very much what your bill provides:

"That a commission be empowered without delay by the Congress of the United States, or if this should be deemed inadvisable, by the American Relief Administration, or any similar organization or group of organizations, American or international,

of sufficient size to accomplish the work and to obtain 1,845,000 tons of grain and to deliver the same to the farmers of the Volga region and those of Armenia, delivery to be effected under the joint control of an American or an international commission and the soviet government of Russia.

"It is the thought of this commission that such an amount of grain should be regarded as a loan from the United States or from those who supply it, to the people of the Volga region and of Armenia, to be repaid in kind on demand at a rate proportionate to the current market value of the grain in question, repayment to cover a fixed period of years and to begin in 1925."

That was our recommendation and when we came back three of us went down to see Mr. Hoover, and we had a very long talk with Mr. Hoover about the thing. Mr. Hoover's point of view was that the American people were not interested in Russia as a business proposition; that is, the proposition of making a loan to be repaid. But he said that the famine situation of Russia was something that appealed to the American spirit of charity, and to nothing else; and we could not go to the American people or Congress and ask for anything except charity for Russia. Since then Dr. Nansen, the Arctic explorer, who has been head of the International Red Cross Commission appointed by the League of Nations to study the Russian situation, has had the same idea our commission had, that there is only one way of saving the situation in Russia not only saving the people who are dying from starvation, but saving Russia from an economic standpoint, for the rest of Europe—because that is the granary of Europe and a great many of the economic difficulties in other countries are due to the fact that Russia is no longer producing. Dr. Nansen's idea was that there is only one way of save these people, and that is to provide them with food grain until the next harvest and seed grain, and the agricultural machinery necessary to sow the crops, as well as tractors, especially since the loss of horses during the war has made plowing very difficult indeed. Our mission, an entirely separate organization, reached the same conclusion as Dr. Nansen, and came back and reported that conclusion to Mr. Hoover.

THE CHAIRMAN. That was in October?

MR. HIBBEN. Yes, sir; and in December Mr. Hoover went before Congress and asked for an appropriation of \$20,000,000, which he got.

Our point is—and I think it is the consensus of opinion of everyone who has been in Russia—that that sum will not be more than half enough to supply Russia, and that if no more is done for Russia, either by the United States or by someone else, there will be in the neighborhood of six and a quarter million people starve to death.

THE CHAIRMAN. Your idea, Captain, is, as I understand it, that it is not so much charity that they want as an opportunity to get on their feet and to pay back what they borrow now?

MR. HIBBEN. Absolutely. I know that Gov. Goodrich, from my own State, came back, and he and I had a talk together, and he said he had an absolute belief in the integrity of the Russian farmer, and he was certain that he will pay back what he borrows.

THE CHAIRMAN. We had a bill up some time ago that was defeated through the efforts of Mr. Hoover and the administration, that had as one of its objects the selling of grain to foreign countries, including Russia, but the argument was made against it by Mr. Hoover himself before this committee, to bring about the defeat of the bill, that these people over there were in such condition that we could not expect repayment of any loan made to them. There was a pretty general feeling that Russia would not pay because of the form of government that they have there. Do you think if we supply them with the seed and food on time basis there is any danger of losing our money?

MR. HIBBEN. Certainly not. There is not a particle of danger. As a matter of fact, I am convinced, and I was told when I was in Moscow, that the Russian Government is going to pay off the debt of the old, former, Czarist Government, incurred for things many of which never saw Russia.

THE CHAIRMAN. If they will do that they will be on good terms with the rest of the world.

MR. HIBBEN. But meantime the people in the famine districts of Russia may starve. Mr. Otto H. Kahn, the other day in New York, said a thing that is surprisingly true. He said: "The trouble with us is that we have pursued a policy of timidity and fear, and what we need here in this country is a policy of faith and courage, and I believe that. I think if we have the faith and the courage to take a chance on these Russian people we will not only save the lives of six and a quarter million people but we will put Russia economically on her feet again, so that she will be able to become a producing country again. And if we do that, the economic advantage to be gained by the United States will be simply incalculable, for generations to come. There is no question about that at all in my mind."

Senator McNARY. Let me ask you: Is it your proposition to supply Russia with a quantity of grain at this time?

Mr. HIBBEN. Yes, sir; right now.

Senator McNARY. What quantity?

Mr. HIBBEN. I should say to supply Russia with at least as much again as the American Relief Administration has supplied.

Senator McNARY. How much would that be in bushels?

Mr. HIBBEN. I am not a farmer, and I don't know in bushels. I should say 500,000 tons.

Senator McNARY. Five hundred thousand tons?

Mr. HIBBEN. Yes, sir.

Senator McNARY. Of grain?

Mr. HIBBEN. Yes, sir.

Senator McNARY. Both for seed and for food?

Mr. HIBBEN. I assume that Mr. Hoover has taken care of the seed proposition with \$12,000,000 that was furnished by the Soviet Government.

Senator McNARY. This would be for human consumption?

Mr. HIBBEN. This would be for human consumption, with the idea of saving the farmers to plant the crops when they have the seed grain, and so avoid another famine next year.

Senator McNARY. Your idea is to effect the transaction, then, through the Soviet government?

Mr. HIBBEN. Yes, sir; but under absolute control of our own. It could be done through Mr. Hoover's organization, so far as that goes.

Senator GOODING. It has been said before this committee that one of the obstacles in the way of relief for the famine districts of Russia is the matter of transportation.

Mr. HIBBEN. Yes, sir.

Senator GOODING. What have you to say about that part of it?

Mr. HIBBEN. I should like very much to take that up. I understand that Mr. Hoover's position is that there is no doubt about the American people wanting to help the Russians, out of charity.

Senator GOODING. There is no question about the desire of the American people to help any unfortunate people all over the world. There is no doubt about that.

Mr. HIBBEN. I think that is true.

Senator GOODING. They don't want people to suffer for want of food.

Mr. HIBBEN. Of course they don't. Let me lay down one principle, that if we wait until experience shows how much grain the Russian railways will be able to handle, 600,000 people are apt to starve while we wait. I believe we can estimate accurately enough whether the transportation can be had or not. I have brought here a very large-scale map of Russia. This is a Russian map. And I will point out to you the various railways by which grain could be transported into the Volga region—this region in here. [Indicating.] I am sorry this is a Russian map, and you will probably not be able to read it. It is the best map I could get. This is the Caspian Sea. Here is the Volga River, running right up like that. [Indicating.] This district from here to here, 800 miles long and 300 miles wide, is the district affected by the famine. There are something like 33,000,000 people living in the district. They are virtually all farmers.

Now, so far as I know, the only southern port of entry which has been used by Mr. Hoover so far is Novorossiisk. That is right there. [Indicating.] You see, there is a single line of railway that goes direct to the Volga River here.

Our recommendation in the report of the mission, which included a map, was to see several ports, Nikolaiev, Berdyansk, Mariupol, Kertch, Feodosia, Odessa, and Batum, and those ports are usable. I know the capacity of this railroad here, because I have been over it. The men who run this railroad, representatives of the men who actually drive the engines, told me that they could carry 2,700 tons a day over this railroad, and I have no doubt they could.

Senator GOODING. Where is the neck of the bottle?

Mr. HIBBEN. There is no neck of the bottle.

Senator GOODING. That is a very common phrase that is used by railroads; some common point is the neck of the bottle.

Mr. HIBBEN. There is no neck of the bottle. Mr. Hoover could not have meant it that way. Mr. Hoover's idea meant figuratively speaking there is a neck of the bottle in the question of transportation. My point is that there is no such thing, and I can prove it to you in a moment.

Here is this railroad here that would carry 2,700 tons a day, and the empties returning over this railroad. At Rostov, the people who handle the transportation themselves, the men who drive the engines, told me that they will carry 2,000 tons

a day up to here (Kalech-Donskaya), and across to there (Tsaritsin). There are 2,000 boats on the Volga to carry this stuff, and 145 on the Don. Now, that is two railroads.

Senator KEYES. When will it be open to navigation?

Mr. HIBBEN. Along about the 1st to the 15th of April. But meanwhile, Senator, there must be a supply here at Rostov, because the moment that river is open boats can go up the Don River here, which is only 50 miles across to the Volga. They can put up the Don River 8,000 tons a day.

Senator GOODING. Tell me how far up those ocean steamers run into this river?

Mr. HIBBEN. They don't run ocean boats; these are river boats.

Senator GOODING. The river boats.

Mr. HIBBEN. The river boats; yes. But there are 2,500 boats on the Volga River and 145 boats on the Don River—big barges, big grain-carrying boats, on the Don River. They can handle 8,000 tons a day on the Don alone, and by shipping from Batum across to the Caspian and to Astrakhan, they can use the Volga boats, too. Here is what I want you to understand. They can carry over this road 2,700 tons a day, and over this road 2,000 tons a day. You will notice this port here goes up a railway. Also this port here, Mariupol, is on a railway, and here is another port, Kertch, and here another, Berdyansk, and this one is Sevastopol, and this one is Nikolaieff, and here is Odessa.

Senator GOODING. Is this a railroad?

Mr. HIBBEN. Yes; that is a railroad. All those black lines are railroads. You know how they serve the Volga district from many points, with no bottle neck anywhere.

Senator HARRISON. How large a boat would enter this strait—the Azoff Sea?

Mr. HIBBEN. I don't know exactly. There are boats of 5,000 tons going in the right straight through here, and through some of the ports I have named.

Senator GOODING. There is no open port in that part of the country at the present time?

Mr. HIBBEN. All of these ports are open now?

Senator GOODING. All open?

Mr. HIBBEN. Yes, sir; absolutely. There are warehouses here at Novorossiisk where six ships can be unloaded at one time. I know. I have been over this railroad. This railroad is not in first-class condition, or anything like that, but it is, like the Atlantic Coast Line and the B. & O., all right.

There is this port here at Mariupol, and here at Nikolaieff, and this at Batum and Odessa, here. All those ports are to-day being used, and were used all last year to carry in supplies to Russia. You can see by the network of railroads here how the roads connect with the center of Russia. Here is this line down through the Volga district, paralleling the Volga, with connecting lines to the river. I traveled over this line. It is all right. I saw five trains a day handled here.

I have been informed, and I have every reason to believe, that 10,000 tons of food supplies a day can be put into the famine district through the Black Sea, alone. Gov. Goodrich got his information from Moscow, and I got my information by going down and actually talking to the men on the railroads. Gov. Goodrich agreed that they could carry 8,000 or 9,000 tons. Ten thousand tons will feed 17,500,000 people. Now, what the American Relief Administration is proposing to do is to feed about 8,000,000. There are, according to information from almost everybody—of course figures vary a little bit—but roughly the number of starving in Russia to-day is about 19,000,000. According to Dr. Nansen, the number actually facing starvation is about 19,000,000. In other words, if we put in 10,000 tons here, with the little addition that you bring down from Petrograd through the Volga district from the north, you could feed all of these people, and at the same time get out of this country 500,000 tons or more of corn which is surplus here.

Now, in my estimates, I want to say that it is not a question merely of theory, but is a question of fact and investigation on the spot. When they say that this necessary amount of food here can not be handled, it is not so. It can be handled. Mr. Hoover, in a recent letter, said that the soviet government asked him to slow up his transportation of grain to 5,000 tons. I understand that is what he said, at least. That was published all over this country, giving people the idea that the Russian railways could not handle any more. As a matter of actual fact what the soviet government asked, as what Mr. Hoover really said that they asked, was that he slow up his transportation of grain for food, because they wanted to give preference to grain for seed. The seed had got to be there and be planted for next year.

On the question of what can be handled—

The CHAIRMAN. Now, that was not the impression the people got.

Mr. HIBBEN. Of course it was not the impression that people got. The impression hat people got was that Mr. Hoover was sending over more grain than they could handle.

The CHAIRMAN. Yes. The impression that I got and I think everybody got, including the United States Senate, was that the soviet government said, "You are sending supplies over here so fast we can not handle them. You have got to slow up in it."

Senator GOODING. I can hardly understand how they would ask to have food supplies held up. It seems to me it should be their desire to save lives now.

Mr. HIBBEN. Yes, I think so, but as a matter of fact—

Senator GOODING. When was that?

Mr. HIBBEN. Mr. Hoover's letter was the 23d of January, I believe. Of course I am not in any way responsible for what Mr. Hoover says. Mr. Hoover and I do not agree on it. What I say here, gentlemen, is not theory at all. It is what I know from having been there.

Senator KEYES. You say you got your information from the men who drive the engines?

Mr. HIBBEN. Well, one of them was the president of the Railway Trainmen's Union, which operates the railroads. I mean they represented the men who actually drive the engines. I did not mean that literally.

Let me read into the record this dispatch from Moscow, dated February 6, which appeared in the New York Times of February 8.

"Advices of the arrival at Novorossiisk of the first vessel to sail, the Winnebago, is hourly expected. The chief of the American Relief Administration transport service, Col. Gaskell, has just returned thence. He reports 700 empty cars waiting in the yards, plenty of locomotives, some new, and ample storage facilities—one grain elevator alone capable of handling 50,000 tons. Six ships can unload there simultaneously.

"If the rail transportation promised comes through we will handle the transfer from the ports without delay, and the 5,000,000 adults fed by American grain, plus the 2,000,000 children we will be feeding by the end of March, will make a real dent in the famine."

Why should not the rail transportation promised come through? Nobody over in Europe seems to be afraid it won't—neither Dr. Nansen nor Col. Gaskell, at the head of Mr. Hoover's own transportation system in Russia. Gov. Goodrich, late in January, gave an interview to the New York Sun in which he said the transportation difficulties were then largely resolved. On January 30, the New York Herald published an Associated Press dispatch quoting Mr. Walter L. Brown, Mr. Hoover's representative, as saying:

"Notwithstanding the disorganization of the Russian railways, thousands of tons of foodstuffs and seeds purchased through the American Government's appropriation would reach the famine stricken districts on schedule time. He said that the American supplies constituted almost the sole freight moving over the roads, other traffic being at a standstill."

In a Moscow dispatch dated February 6, Mr. Walter Duranty quotes Col. Haskell, Mr. Hoover's man in Russia, as saying:

"Everything leads me to believe the Russian railroad system to be equal to the task of transporting American grain to the famine areas."

That was published in the New York Times.

In other words, Col. Haskell himself believes that the Government can handle all the supplies—the soviet government can handle all the supplies. Here is Novorossiisk, where this warehouse is located, at which six ships can be unloaded at the same time. I see no reason why those ships should not be there unloading at the present time.

Senator KEYES. Is there any grain going into that port now?

Mr. HIBBEN. The Associated Press dispatch here says that the first grain arrived the 25th of February at Tsaritsin, on the Volga; the first American grain arrived on the 25th of February, in the famine area.

Here is Sir Benjamin Robertson, an Englishman, who has just come out of Russia, who is trying to raise £500,000 in England for Russian relief, and he says that the American supply of grain can be gotten to the famine districts and the railways cleared in six weeks. He says: "Early in April, when the Russian railways may be sufficiently clear to handle it—that is, the English grain—without interfering with transport consignments for the American mission." I think that is about right. That is, the tonnage we are talking about to-day would be about cleaned up by that time.

Senator McNARY. How many tons a day, Captain?

Mr. HIBBEN. Ten thousand tons a day, by the Black Sea.

Senator McNARY. Are you not a little in error in your figure of 500,000 tons?

Mr. HIBBEN. I don't think so, sir.

Senator McNARY. That quantity seems very large. If I know my arithmetic in reducing that to bushels, I find it amounts to over 16,000,000 bushels, and the production of this country is under 800,000.

Mr. HIBBEN. No. Then you are right. You are quite right about that. It could not be 500,000.

Senator McNARY. You repeated that figure several times.

Mr. HIBBEN. Let me see. I think it is right, too. How much has Mr. Hoover sent over there? How much did Mr. Hoover buy with his \$20,000,000?

Senator McNARY. I don't know.

Mr. HIBBEN. Have you any idea?

Senator McNARY. Most of that went into freight.

Mr. HIBBEN. I am not a farmer, and on bushels and tons I always get wrong.

The CHAIRMAN. There is quite a difference between a bushel and a ton.

Mr. HIBBEN. Yes. But the idea is in converting bushels into tons I lose my mind. You see, our original recommendation was for 1,875,000 tons to handle the whole business.

Senator SMITH. Are you speaking of wheat or corn?

Mr. HIBBEN. Grain. That is the recommendation. That covered the entire proposition in Russia. That was before Congress granted anything; 1,845,000 tons of grain is our recommendation. What we are proposing now, our figure now, is that Mr. Hoover's money, if all were expended in the purchase of grain—that is, the \$20,000,000 he got from the United States Congress—it would purchase about 500,000 tons. Is that right or not?

Senator McNARY. No; not 500,000 tons.

Mr. HIBBEN. I don't see why not.

Senator RANSDELL. I expect that is right.

Mr. HIBBEN. Certainly it is right, counting freight.

Senator RANSDELL. Is that the quantity—500,000 tons?

Mr. HIBBEN. Yes; that is correct; roughly, of course.

Senator LADD. Five hundred thousand tons would take care of about 70,000,000 people a year.

Mr. HIBBEN. Seventy million people?

Senator LADD. Yes.

The CHAIRMAN. No.

Mr. HIBBEN. I can tell you one thing, that 500,000 tons would feed 7,000,000 people from February 1 to July 15, 14 ounces a day. You gentlemen are farmers. I am not. You will find the figures here in this report. Those are the figures I worked out. I have no way of knowing what Mr. Hoover pays for freight, but I have figured that it will cost approximately \$40 per ton to get grain to Russia via the Black Sea; \$20,000,000, then, if all expended for food grain and transportation—I understand that overhead and seed grain are taken care of out of other funds—would purchase 500,000 tons of grain. This would feed only about 7,000,000 from February 1 to July 15, and only 5,831,000 from February 1 to August 15, at the rate of 14 ounces per day per person. With the first American shipment of grain via the Black Sea arriving at the famine district on February 25, in 50 days, at 10,000 tons per day, or on April 16, this grain would all be delivered to the famine district. What I want to know who is going to feed those 19,000,000 starving Russians from the time when this supply is exhausted until the harvest is in? What is the use of feeding them only part of the time and then letting them starve later? Dr. Nansen will raise some money in England and other European countries, but the big job of finishing this work is up to us, because we have the excess grain, and the European countries would have to buy theirs in Bulgaria or Rumania or somewhere else.

The Russians are not asking this as charity. They are willing to pay for it, that is, to give their note for it, secured by any security that may be found acceptable, and they have a lot of security to offer. It is a business proposition, but it must be done at once.

Now, there are one or two things that I wanted to add to what I have said on this subject.

The CHAIRMAN. Before you proceed further, let me ask you this: Your proposition is to sell to the Russians this grain on time?

Mr. HIBBEN. Yes, sir. I want to sell 500,000 tons.

The CHAIRMAN. I wanted to ask you if, in addition to grain, they do not need some other products, and particularly cotton?

Mr. HIBBEN. They do, indeed. They do, indeed, need cotton. They not only need cotton but they need machinery.

The CHAIRMAN. Well, you have mentioned machinery—that they need farm machinery.

Mr. HIBBEN. They need farm machinery. In Russia to-day, in the farming district, they have only about 13 per cent of the agricultural machinery necessary to cultivate land.

Senator SMITH. About how much cotton would they need?

Mr. HIBBEN. That I don't know. I am sorry I don't know. I didn't go into the situation while I was there. All I can say is that 150,000,000 people need everything in the way of clothing.

The CHAIRMAN. They have cotton mills there?

Mr. HIBBEN. There are some. But here is the situation, so far as cotton growing is concerned. They used to depend upon Turkestan, to a certain extent, for their cotton, now, since the civil war, Turkestan has been out of touch with the main part of Russia, and they need a great deal of cotton.

The CHAIRMAN. Where would they spin the cotton? Would it be in Poland?

Mr. HIBBEN. I don't assume so, because Poland is no longer a part of Russia.

The CHAIRMAN. I know it is not, but I don't suppose they could do it in Russia.

Mr. HIBBEN. Yes. They have been manufacturing cotton, but the great trouble is that they can not get it. You must remember that the Russians themselves made cloth which supplied the uniforms for an army of 3,000,000 men, since 1917. It is they have been desperately in need of cotton to produce this stuff.

The CHAIRMAN. Would they need any wool? Would they take any wool on the same terms?

Mr. HIBBENS. I would think that they would need a little wool, though I could say. I don't think they would need a great deal, because wool is one of the things they do produce in Russia.

Senator GOODING. But have not the sheep been killed and eaten?

Mr. HIBBEN. Yes. I am sorry, but I do not set myself up as an expert on that. I can say this: We do know that they are desperately in need of cotton and machinery. Our second recommendation here in this report was for some means to facilitate the purchase of \$500,000,000 worth of agricultural machinery by these people. This would certainly solve the unemployment problem in a great many industries in this country if we could put people to work producing \$500,000,000 worth of agricultural machinery for Russia.

Before I go into the question of security, I want to call attention to some things that Dr. Nansen, who has just come out of Russia, more recently than I have, has said about the situation. I quote from the Manchester Guardian:

'And now the whole matter was hanging on the next two months. In that time Russia must have food, tractors, seed, tools. 'Unless we do that within the next two months the Volga will become a depopulated desert.' Not alone charity, but 'good sense' calls for action within these two decisive months. Dr. Nansen answered those who asked what the soviet government was itself doing. It was feeding two and a quarter millions of people; it had spent £15,000,000 and was still spending large sums. It gave to the relief workers every help and facility. 'Whenever the Russian authorities make me any promise in connection with my work they carry it out.'

The CHAIRMAN. He is speaking of the soviet officials?

Mr. HIBBEN. He is speaking of the soviet officials. There are no others.

I simply want that in the record because I want you to feel that there is some other testimony here besides my own. In my estimation, gentlemen, the whole attitude toward the Russian problem in certain semiofficial circles in this country is a provincial one. We take the point of view that you can not do any business with Russia. Nobody else in the world takes that view. Even the French know better. They are trying to do business as hard as they can. When I was in Moscow there were 36 men representing British industries in Moscow trying to get contracts with the Russian Government. The Swedes have a standing mission in Russia doing business with the Russian Government; the Italians, the French, the Greeks—everybody is doing business with Russia except ourselves, and it is an immense field for export trade.

Dr. Nansen, who is a man of the very highest standing in the world, believes in the Russian people. I have read you what he said, that every time he had a promise from the Russian Government they carried it out. He believes that they are doing their best, and within two months this whole thing has got to be decided. Either we get this food I am pleading for over to them in two months, or starvation will be the result.

Mr. HOOVER wrote me on February 3, and said "Only time will tell whether they can get transport over there." I file a copy of my correspondence with him on this subject. Mr. Hoover's transportation will be completed in about 100 days at the very outside. Gov. Goodrich said the entire stock of food Mr. Hoover bought with his \$20,000,000 will be over there and distributed long before the harvest is in. There is going to be no food available generally in Russia before the 15th of August. Who

is going to supply the food for those people from the time when what we have over is exhausted, until August 15th. It means absolutely one of two things: Either the amount of food that Mr. Hoover is sending over is going to feed all the people half the time, or half the people all the time. In one case all of the people, or a great number of the people who are fed half the time, are going to starve unless somebody carries them on until the time when their grain comes through. In the other case somebody has got to decide that 7,000,000 or 6,000,000 people will live, and 10,000,000 or 12,000,000 people will die, by feeding only part of them. I believe it is perfectly possible to keep all of them from starving; and by all, of course I don't mean that some people in difficult places of access will not starve. They will, of course. But there are 19,000,000 people starving over there. There is no reason in God's world why those 19,000,000 people should die; and if we could do it and with benefit to our own farmers, by sending our stuff over there, why not do it? It is stupid, in my estimation, to say we have done so much; that that is our share, and now we quit. Why not do it all—do a good job while we are about it?

Now, the question was brought up about payment—about security. I had a talk—and I wish to leave with this committee a complete copy of my diary during the whole time that I was in Russia, for the files of this committee, which gives a very detailed account of my talks with various Russian officials—with Krassin, who is the foreign trade commissar in Russia. He said that they were willing to give security, or as payment, mortgages or concessions for the operation of any valuable property in Russia that anybody might desire, for a period of years—whatever period of years seemed to be sufficient—as security for payment. They can do that. There are, for example, right here, gentlemen, on the Black Sea [indicating], within miles of the seacoast, the largest and most valuable manganese mines in the world, producing 52 per cent manganese, that is used in the manufacture of steel and commercial industries of all kinds. These mines are immensely valuable; and the Russians were perfectly willing to give a concession for 50 years for the operation of those mines as security for whatever they buy. There is an American company which has taken on a 20-year contract with the Russian Government for the development of the asbestos mines over here in the Ural Mountains—the Alapayev mine, producing, in 1913, 2,160,000 pounds of asbestos. When I was in Russia there was a German concern which took on a vast piece of the Caucasus Mountains, here, a concession for 49 years, to cut hardwoods; and some of the best hardwoods of Europe are produced right there. These concessions are being sought every day by business men representing large capital in France, in Germany, and in Sweden and England and Italy. If those people, who are business people, accept concessions on terms of that sort, there is no reason in the world why our business people should not. The whole thing seems to be the wet damper that is put upon investment of American capital in Russia by the officials of this Government, and they put the wet damper on, on the basis of an unwillingness to deal with the present Russian Government.

Now, gentlemen, I can tell you frankly, because I have been in Russia under the old Imperial Government, and I have visited Russia twice under the new soviet government, that in my estimation the present government is not only more secure but its business ability is better, than the old Imperial Government. I was in Petrograd in 1905 and 1906, and I knew of a half dozen cases of Americans who had invested their money in Russia and who, at the time of the revolution of 1905, had their property destroyed, who appealed to the United States Government for action against the Russian Government for having destroyed their property. They were told by the State Department here that as they had invested their money in Russia, knowing the conditions that existed in Russia at the time, and had made a proportionate investment of capital now in Russia. Yet my own conviction is that American capital invested in Russia to-day would be safer with the present Russian Government than in the old days, because it was very apparent to anybody living in Russia then that revolution was coming sooner or later; and it did finally come. I don't think there is any revolution coming now.

The CHAIRMAN. You think the present government is permanent?

Mr. HIBBEN. I do.

The CHAIRMAN. I think, Captain, that is one of the reasons why we have this fear you speak of. We are told every day in the newspapers that the government is about to fall.

Mr. HIBBEN. Yes; I know. We have been told that for the last three years, Senator.

The CHAIRMAN. I know we have.

Mr. HIBBEN. How long will you have to be told that, and have the predictions fail, before believing these predictions are unfounded?

The CHAIRMAN. Our own Government has refused to recognize them, and our people are suspicious on that account.

Mr. HIBBEN. Of course they are. I understand that.

The CHAIRMAN. Official statements are made, a great many times, that the Government there is not one that we can do business with; that it will not last any longer than me for the people to find out and rise up and overthrow them and establish a real Government. What are we going to do?

Mr. HIBBEN. I don't know how many generations we have to wait. Let me say that the present government in Russia has been in existence longer than any other Government in the world. I mean in the technical sense of government. There have been changes in the attitude of the administration; there is no question about that at all. And, gentlemen, to a man who has lived in Russia in both days, under the old Imperial government and under the present government, the difference between the Government to-day and the government of the old days is that the government of the old days consisted of a bunch of people who were more or less grafters and lived on graft; had government positions because of their favor with the Imperial family, relationship, and one thing and another, while to-day a man like Krassin is head of the foreign trade department in Russia because he is the ablest business man in Russia. The CHAIRMAN. They tell us, Captain, that the present government is holding its power and control over things by force; that the people themselves, a great majority of them, are not in sympathy with the government.

Mr. HIBBEN. Senator, Russia is so big that you can put the United States in it, and it would take a week to find it. Now, it has about a seventh of all the land in the world and a tenth of all the people. How could a small group of—whatever they are supposed to be—I don't know, 600,000, say, control all that vast area? Anybody that knows the situation knows better than that. I am holding no brief for the Russian Government. I don't care a whoop what government controls Russia. That is of no importance in my mind at all. That is a subject for the Russians themselves to decide. But I do know the difference between a government in which you talk to a business man representing the government and a government in which you talk to fatheads representing the government. In the old days you talked to fatheads and to-day you talk to business men. I know that among the Volga peasants that I talked to, all up and down this river, 80 per cent of them were not in favor of communism at all, but they were spared reading the New York Times, and they knew that there was not any communism in Russia. Of course, if you read the New York Times you are told every morning that there is communism in Russia, that Russia is a communistic government. Well, it isn't. It meant to be, but it isn't.

The CHAIRMAN. That is the kind of information the American people are getting.

Mr. HIBBEN. I know it is. That is all on paper. There is not anything of the sort. The Russian peasant down here [indicating] was living on his land when I saw him. He said it was his land, and he was plowing that land as his own. There is no communism about that. The people here in the Volga, a great many of them, told me that they would a hundred times rather have the present government than go back to the old days. They will never go back to the old days. They said to me, about the famine, that under the old government they had famines just as much as they are having them now, but they said, "Under the old government they used to pretend to the world at large that there was no famine, because it would seem that the government was not efficient," and they were left there to starve under the old government. "The present government goes out and announces to the whole world that there is a famine, and they try to help us." They didn't seem to get them much help, but at least they tried.

As I say, the present government of Russia is a matter of indifference to me entirely. Those people in Russia, most of them, are discussing the matter freely and frankly among themselves, disagreeing with the government among themselves, just as Democrats and Republicans in this country disagree with the government. Many of them thought the program of the government was wrong; yet at the same time they don't want any revolutionary change.

Senator RANSDELL. Did you come into personal contact with any of the high officials of the soviet government?

Mr. HIBBEN. I did. I came in direct contact with Mr. Krassin, of whom I have spoken, several times.

Senator RANSDELL. What is his position?

Mr. HIBBEN. Commissar of foreign trade.

Senator RANSDELL. He corresponds to our Secretary of State?

Mr. HIBBEN. No, to Mr. Hoover, if you please, the Secretary of Commerce. I also came into personal contact with Chicherin, who corresponds to our Secretary of State, and Mr. Kamenev who was the head of the Russian Famine Relief.

Senator RANSDELL. Did you come in contact with Lenin or Trotzki?

Mr. HIBBEN. I did not. But I also had a long and interesting talk with Prof. Lomanosoff, who was the head of the Russian railways, under the Czar, under the Kerensky government, and is representing the Russian railway to-day, as their foreign purchasing agent; and he told me that they had—I have the figures here—19,000 locomotives in working order, and 450,000 cars in working order to-day.

Senator RANSDELL. Was he retained in that position because of his efficiency, do you think?

Mr. HIBBEN. Precisely.

Senator RANSDELL. First under the Czar, then under Kerensky, and now under the soviet government, because of his superior ability?

Mr. HIBBEN. Precisely. That is all that counts to-day.

One of the leading generals in the Red Army was Brusiloff who was, as you know, one of the army commanders, and the ablest general that the Czar had. They used to say he was Kitchener in disguise. To-day he is in a position of authority.

Senator RANSDELL. Did you meet him?

Mr. HIBBEN. No, I did not; but I met one of his staff officers. The staff officer whom I met did not agree with Brusiloff politically at all; but had the greatest admiration for him. Brusiloff is not in sympathy with the government.

The CHAIRMAN. Who is the present commissar of education?

Mr. HIBBEN. Lunacharsky.

The CHAIRMAN. He was selected for the position because of his ability?

Mr. HIBBEN. He was. He is a wonderful, able man.

The CHAIRMAN. I wanted to ask you about the children. I have been reading recently that children have been killed and eaten and I saw just the other day in the daily papers that hundreds of carcasses with the flesh eaten off, of little children, were seen floating down the river. I had an impression, which I got early in the days of soviet government, that if there was one thing that they were trying to do, it was to care for the children; they seemed to give them better care than they did grown people. What about cannibalism? Is there anything in that?

Mr. HIBBEN. I think there is. There have been too many witnesses who said that there is for one to deny it. But I don't mean to say that it is general at all. It is probably people who have been crazed by hunger, in the outlying districts, who do not realize what they are doing; they have lost their minds. Most of the cases that have been reported by Dr. Nansen and by workers among the Quakers who have been over there have been of larger children killing smaller children.

The CHAIRMAN. Did you come in contract with any of it?

Mr. HIBBEN. No; I didn't see any of that at all. I know of a woman in one of the villages that I visited that had killed her three children. Everybody in the village said so. But she had gone insane.

Senator RANSDELL. Did she eat them?

Mr. HIBBEN. No, sir. She just had killed them. She had gone insane.

Senator RANSDELL. They kill them in this country, too, and eat human flesh, too.

Mr. HIBBEN. Let me say one thing about the cannibalism, gentlemen. You can not bring up a whole people in the dismal ignorance and superstition and state of degradation that the Russian people were brought up in for centuries without producing horrible results. People complained a great deal of the horrible things that happened during the Russian revolution. I was there, and I saw the revolution of 1905, and know that horrible things happened there. The peasants rose up and burned shops and killed people, and things of that kind; but those peasants never had had the advantages of education at all. They had been ground down; they had been treated like animals; they had been brought up very little above wild animals and savages, and when they got loose they did savage things. You can not have people in ignorance, brutalized and made drunk as they were, without such experiences. You must remember that the old Russian Government lived on the drunkenness of the people. One of the principal sources of revenue of the old Russian Government was the vodka business. The Government was in the vodka business; and there was something like \$500,000,000 of revenue that used to come into the Russian coffers that was stopped the moment prohibition was passed. And to-day I believe there is absolute prohibition in Russia—real prohibition, not like ours.

Senator RANSDELL. Better than ours?

MR. HIBBEN. It is real prohibition. You can not get a drink in Russia to save your soul.

THE CHAIRMAN. Now, tell us about the children. What is their educational system?

MR. HIBBEN. In the first place, about the children. That would interest you gentlemen. I have not got them with me, but I could send you some photographs of some of the buildings where the children are being fed and housed. In every town of any size the children have the best house in the town. The best house in the town is taken for the children by the soviet government. It is requisitioned. Children without parents are placed there. Children who have parents can be placed there if the parents are poor or hungry or something of that sort, and want to place their children there. All education is absolutely free, and the devotion of the women who are working with those children in those towns is something you ought to see. There were 6,000 children in Tsaritsin in those children's homes—various buildings that the soviet government had taken over—the best buildings in the town. They told me there were 11,000 children in the district around Tsaritsin, and I know that when workers in the factories in Tsaritsin were dropping at their machines because they didn't have food enough to go on with their work, the children had enough to eat; and I myself saw long lines of these children going into the soviet soup kitchens and getting their little fish soup and their hunk of bread a day; and once a week a little sugar. That is all they had. But what they had was going to the children first, and the grown people were dying. It may be a good thing and it may be bad, but that is the situation.

There is a statement here, I think, from Dr. Nansen which I would like to read to you, about the children, if I can find it.

Incidentally Dr. Nansen says this about the contention that food can not be got to the people in the famine area:

"He denied that the second argument—that the food can not be gotten to the people in Russia—had any weight, and protested against the 'campaign of lies' that had been carried on. He says, 'The goods we sent out in sealed wagons in every case reached their destination with the seals unbroken.'"

Dr. Nansen is absolutely convinced that all the food that was sent there got to its destination.

I don't find that part about the children. I expect it is in another number. Yes, here it is:

"A month ago I was among the horrors of the Volga. I still seem to feel the great piteous eyes of these children turned on me here to-night. For their sake, in the name of charity and love I appeal to you and through you to your mighty Government to act before it is again too late."

In another place he describes this very home that I visited in Tsaritsin, where there were 6,000 children, and he said that the supplies that had been laid aside for the children were nearing exhaustion, and that those children were dying from starvation.

Everywhere throughout Russia the greatest care is taken of the children, and the school system, of course, is what they call a modified Montessori system of instruction—teaching the child to teach himself. I am not a pedagogue, and I know nothing about such things. I am only a newspaper man. But I will say this: I visited one of the model schools, on which all the rest of the schools of Russia are modeled, and I have never seen anything so wonderful in my life as that school. On the inside of the building all the walls are painted by the children themselves. The children are given a free hand in things like that. They are told to go ahead, and they develop their own individuality, and it is wonderful the way they have evolved a system of education of children that makes them want to learn. They don't pack you off in a corner as they did in my day and make you say "2 times 4 is 8," and things like that—make you learn in that mechanical way. They make play of learning. Half of the time is given to study and half of the time is given to instruction in practical work, farming in particular, and in mechanics. If a boy develops an interest in mechanics he is given a mechanical education. And the girls the same way. The people who are teachers in that school, just outside of Moscow, are people who were teachers under the old Czar's system, but they were not given a free hand then. And they now have a system of education which has given them a free hand to go ahead and develop whatever they want that is most modern in education. They have taken away the illiteracy of the people. You must remember that the Russian people were 85 per cent illiterate in the old Czarist days. They have reduced that to about 45 per cent already.

You read a great deal about the menace of the Red army, the great danger from the Red army, but the fact of the matter is that the Red army is to-day a means of educa-

tion. Means are now being taken to educate the army. These young fellows are being called in for military service and taught to read and write. The first thing when they bring them in, they teach them to read and write, and later send them out again to teach others. They have thereby reduced the illiteracy from 85 per cent to 5.7 per cent in one army, the eleventh.

Senator RANSDELL. You have described very interestingly the conditions in the Volga district, which constitutes, I think, about a sixth of Russia as a whole?

Mr. HIBBEN. Yes, sir.

Senator RANSDELL. Tell us something about other portions of Russia that you visited, very briefly.

Mr. HIBBEN. I would be very glad to.

Senator RANSDELL. How are they getting on in those other parts of Russia?

Mr. HIBBEN. Of course, I must say that there is a frightful famine down here in Armenia that you don't hear much about.

Senator RANSDELL. What region is that?

Mr. HIBBEN. Down here in Armenia. That famine is not due to the same causes that caused the Volga famine. That condition exists because of the Turkish invasion which took place in 1920. The Turks did not begin to leave until it was too late for the people to sow, and when it came time to sow those who were there had nothing to sow, and the result was that they had a famine also.

Senator RANSDELL. About how many people are there in that region?

Mr. HIBBEN. I should say that about 500,000 people are hungry, against millions up here. It is small, of course, but it is a very desperate problem down there.

The CHAIRMAN. Take that part of Russia which did not have a famine. Did you travel there?

Mr. HIBBEN. Yes; I did.

The CHAIRMAN. Tell us something about that.

Mr. HIBBEN. In Rostoff, because that was one of the cities in the center of the fighting between the antibolshevist government and the bolshevik government, they had suffered a great deal. Most of the buildings had been bombarded, and there was a great deal of destruction. Some of them have been temporarily repaired. I want to say there were 1,500 railway bridges dynamited by the counter-revolutionary forces that invaded Russia up to this point [indicating], up to 1921; and every one of those railway bridges has been repaired, with wood, of course. It seems to me that ought to interest our steel people in this country, because every one of those wooden bridges will have to be replaced with steel. Every one of those bridges has been repaired by wood, and trains are running on that road wonderfully well, all considering. That has all been done by the Red army. The Red army is a sort of handy man around the place. The plowing for the spring sowing this year—I don't know how many thousands of acres were plowed—was done by the Red army. They use the army for everything—policing, road building, field plowing, etc.

Senator RANSDELL. Have they many tractors over there, or do they depend on live stock to pull their plows?

Mr. HIBBEN. That is one of the great problems. They have depended on live stock to pull their plows up until now. The number of horses that were killed and that died during the war was very large. The result was that one of the reasons for the famine in Russia this last year was the fact that they could not plow any more land on account of the shortage of horses. Now, the thing that I saw happen there with my own eyes was that these people were hungry, and there is no more grass than there is on this table to feed the horses. The horses are dying naturally—

The CHAIRMAN. That was in the famine region?

Mr. HIBBEN. That was in the famine region, and the man who could not feed his horse, killed his horse and ate it. When it came to plowing all this land for spring sowing, they had to take all the tractors that they had in Russia to do it. They were not all tractors either; they used tanks that they used in the Army, and with those tanks the Red army plowed the fields, because there were no horses. To-day in Russia they can use—I have forgotten how many thousand tractors we estimated, but a very, very large number of tractors.

Senator KENDRICK. Wasn't it 2,000?

Mr. HIBBEN. Two thousand tractors is what they need immediately. It was more than that.

Senator RANSDELL. This famine section is the grain section. It is just exactly as if you would cut out of this country the whole Central States, west of the Mississippi.

Mr. HIBBEN. I want to say one thing for the Russians, that here in Rostoff, where the people had little or nothing, where the buildings were all destroyed, where we saw the women walking about with no stockings—I don't think I saw two pairs of stockings in Russia—they were sending their measure of food to the Volga for the

arving, there. I have never seen anything like it. It has nothing to do with the government or anything like that. The Russians are like that. These people all the way up from Rostoff through Voronejh, to Moscow, in the towns where they had a supply that they expected to carry them through the winter, were taking a portion of their supply--more than they could afford to take--and sending it to the Volga district for the starving people.

Senator RANSDELL. They are very charitable, are they?

Mr. HIBBEN. Oh, yes. The result of that is that there will be a great many people in Moscow and other places who will starve, where there should be enough to eat, just because they are charitable. Those people are that way.

I have not got a great deal of money, and I have a wife and child, and I know am a fool, but I keep giving my money to the Russian peasants, though some day may need it for myself. But you get into a thing like that, and it gets you; it touches you so you can't help yourself. Senator, our car used to sit on the railway siding, in the Volga Valley there, and there were 20,000 people gathered up along the Volga river at that point, just camping on the banks, waiting for boats to take them out--and if they got on the boats they wouldn't get anywhere except in other famine districts just as bad--and around the railway stations there were 15,000 people, just camping in masses around the station, waiting for trains, jumping on trains, riding on brake beams, anywhere they could hold on. The roof of our car was covered with people all the time. They would get on the roof, and when the train was running their hands would get cold and numb, and you could hear them slipping on the tin roof of the car, as they lost their grip on the top of the train. You could hear them slipping and slipping off of the top of the car all the night long, as they fell one by one. You could hear those people screaming all night, mostly women and children, as they fell from the train. As we lay in the railroad yards, they would come up all day long--little children no bigger than that [indicating], with little arms and legs so thin, just about hat big around [indicating], and plead for bread. They would call you uncle. 'Uncle, give me a little piece of bread--give me a little tiny piece of bread!' I can hear them now. And if you gave them some, you would have a couple of hundred right around you at once. All night long you could hear them, crying in the darkness: "Uncle, give me a piece of bread." I can hear it now, those cries. It gets you, you know. And to think of those little children starving, when we have so much in this country!

Senator RANSDELL. It is not so much a question of whether we get paid or not; it is a question of whether these people shall starve. We can not afford to consider security, can we, in a case of this kind?

Mr. HIBBEN. Kamenev told me in so many words; he said, "We don't want this as charity. We will pay for it if we can get it." And they will pay for it.

Senator RANSDELL. I don't imagine we ought to consider security in a case of such starving as the captain has described here. I wouldn't want it, I know.

Mr. HIBBEN. Russia is the only solvent country in the world to-day outside of the United States. What is France worth to-day? What is Italy worth? If you sold all France today at auction you could hardly pay her debts. The same of Italy. Do you realize that in Petrograd alone, in one museum, there are 47 paintings by Rubens, which, if sold in the open market to-morrow, would sell for millions of dollars, 17 of them? They have got six Raphaels in the museum at Petrograd, Government property.

The CHAIRMAN. Why don't they sell them?

Mr. HIBBEN. They can if anybody wants to buy them.

The CHAIRMAN. Who will buy them?

Mr. HIBBEN. The only one in the world that can buy such paintings would be a government. I would like to see the Government of the United States buy them for the Metropolitan Museum of New York or the Corcoran Art Gallery here, or for the Congress.

Senator RANSDELL. In round numbers, how many dollars will it take to relieve this situation that you have described, if we are going to relieve it?

Mr. HIBBEN. I think you could do it with \$20,000,000 more, as a minimum figure.

Senator RANSDELL. That would tide them over until the new harvest comes?

Mr. HIBBEN. Not only until the new harvest comes, but it would assure that there would be a new harvest next year. The great thing that I am worried about, and that any man who knows the situation over there would be worried about, is that this relief is going to get up to midsummer and leave them there, and they are not going to get in a full crop, and they are going to have another famine next year.

Senator RANSDELL. May I ask what position Mr. Hoover would take? It appears that this work will require an additional appropriation of, say, twenty million or twenty-five million dollars. Do you know what position he would take about that?

Mr. HIBBEN. The only thing I know about that is that he said to me he was against making any loan; that American public opinion was against making any loan to Russia.

Senator RANSDELL. Another donation, then. What would he say about that?

Mr. HIBBEN. I don't know, I am sure.

Senator NORBECK. They want it as a loan, and not as a donation.

Mr. HIBBEN. They want it as a loan.

The CHAIRMAN. Captain, it would take more than \$20,000,000, wouldn't it?

Mr. HIBBEN. I am talking minimums now.

The CHAIRMAN. That would probably save the human lives? .

Mr. HIBBEN. That would probably save the human lives.

The CHAIRMAN. That would not put them on their feet and keep them there until they could do something for themselves?

Mr. HIBBEN. Nansen says \$50,000,000. He says £10,000,000. He is right. It will take that much to put them on their feet. That is my own judgment and the judgment of the commission that went over there; and that is Nansen's judgment. I have been talking about absolute minimums. If we had \$20,000,000 more over there, those people would get through; and if we do not have it over there, there is no power on God's earth that will save 6,000,000 people from dying from starvation.

The CHAIRMAN. Now, Captain, if this committee, for instance, reported out a bill providing for the expenditure of \$20,000,000 to \$25,000,000 for grain to be taken to Russia, and the obligation of the Soviet Government was taken for it on whatever time might be necessary, do you know where Hoover would stand on that proposition? Would he be against it?

Mr. HIBBEN. I expect he would. And we have got plenty of obligations now that are not worth the paper they are written on. If Russian obligations are taken, there is no question but that Russia is absolutely a solvent country, and could, and I am convinced, would pay. You could take bonds on the manganese mines down here, and Morgan & Co. would give you \$25,000,000 for them, I should think.

Senator NORBECK. Do those mines belong to the government?

Mr. HIBBEN. All mines belong to the government. The government confiscated them.

Senator NORBECK. All mines?

Mr. HIBBEN. Yes, sir.

Senator RANSDELL. I suppose the only question is whether that is a stable government that can enforce compliance with the obligations it makes. That is what some people would say.

Mr. HIBBEN. That is what Mr. Hughes would say. I had a talk with him when I first came back, and he said it was a question of protection to private investment in Russia—they could get private capital. His view was that the government was not stable.

Senator NORBECK. I don't see how the people are going to take any interest in private investment if the government is going to confiscate private property.

Mr. HIBBEN. The government has not confiscated private property.

Senator NORBECK. You said they confiscated the mines.

Mr. HIBBEN. In confiscating those mines they expect to pay for them.

Senator NORBECK. But they have taken them without paying for them.

Mr. HIBBEN. They took possession of them, but if they carry out their financial scheme as proposed, they will pay for them. For example, you take the oil wells. The second largest oil field in the world, gentlemen, is over at Baku. Those fields were originally owned by French capital, and in 1918 and 1919, when I was out there, the British came in and juggled the stock back and forth, and took control of the wells and prevented the production of oil until they forced the price of the stock down to almost nothing at all; and then they bought out the French owners and the Dutch owners in the Royal Dutch Oil Co.; and to-day the British control that oil company themselves. They control all the oil in Persia and Mesopotamia. One by one and step by step they have taken over the entire near eastern oil fields. They have been awfully clever about that. In 1919, when I was there, I saw that job done. There was oil running on the ground. They had no place to store it. It cost more to store oil in Baku than you could sell it for in the market, because the British were not allowing the export of oil. That was to jam down the value of oil stock until they could buy it for a song, which they did.

Senator RANSDELL. They are operating them now, are they?

Mr. HIBBEN. They are not. They are operated by the soviet government of Russia, which has taken it over now. They tried to, but they didn't get away with it. In 1920 they were put out. The men who were doing this little job of controlling the oil supply there were all jailed, though they have been released since by the Government. They spent some time in jail anyway.

The second largest oil field in the world, gentlemen, is at Baku. It would be a splendid guaranty for any of this loan. Here in the Caucasus Mountains is an oil field which is just beginning to be developed by the Russians now, Grosnaya, which produces 2,000,000 tons of oil a year. That is a little field, a new one. That little oil field is another thing that might be given as a guaranty. And here are copper mines, old mines, lead mines, manganese mines, all through this district. There are gold and silver mines and platinum mines—the largest platinum mines in the world—in the Urals.

Senator RANSDELL. Have they much coal?

Mr. HIBBEN. They have a great deal of coal, right around here, in the Donetz Basin. But this is the part of Russia that was occupied by Denikin's antibolshevist army, and he went through that district, when I was in Russia in 1919, and they destroyed every mine. They took the machinery out of the power houses. They didn't just blow them up. They took the machinery out and just beat it to pieces with sledges. There is nothing left. The destruction there will take 10 years to clean up. I was in Belgium, where the Germans destroyed the French mines. The Germans were amateurs compared with the destruction by these men of the coal mines in Russia.

The CHAIRMAN. Who was it that did that destruction?

Mr. HIBBEN. Denikin's army—the antibolshevist forces. They were finally beaten by the soviet troops, and when they left they destroyed everything as they went. They destroyed 1,700 railway bridges, all of which have got to be rebuilt, permanently—they are now rebuilt with wood—and I don't see why the United States should not be manufacturing structural steel for those railway bridges, and for the new machinery that has got to be put into those mines, because they have all got to have new machinery—every one of them.

Gentlemen, that is my story. If there are any further questions you want to ask, or if there is any further information you want, I will be glad to give it to you if I can.

Senator RANSDELL. I have been intensely interested in what you have said. What want to know is who went with you, if we want to get any of them. Who were the people who were with you?

Mr. HIBBEN. Here they are right here in this report.

Senator RANSDELL. The chairman was Albert A. Johnson?

Mr. HIBBEN. Yes, sir.

Senator RANSDELL. His home is at Farmingdale, N. Y.?

Mr. HIBBEN. Yes, sir.

Senator RANSDELL. Do you suppose we could get him here if we should try?

Mr. HIBBEN. Yes, sir.

Senator RANSDELL. You were the secretary, Paxton Hibben, and the treasurer is E. A. Yarrow?

Mr. HIBBEN. Yes. You could not get him, because he is still out there. He is in Armenia now.

Senator RANSDELL. Another man was Frank Connes, of New York City.

Mr. HIBBEN. Yes, sir. You can get him, and you can get Mr. Voris.

Senator RANSDELL. John R. Voris, of Yonkers, N. Y. They could be gotten?

Mr. HIBBEN. Yes, sir.

Senator RANSDELL. They will corroborate what you say?

Mr. HIBBEN. They will.

Senator KENDRICK. You say there are millions of people starving?

Mr. HIBBEN. There are 19,000,000 starving.

Senator KENDRICK. It would take a long time, would it not, to make food for them available, by the existing methods of transportation?

Mr. HIBBEN. But you could get it started.

Senator KENDRICK. Yes; you could get it on its way. But the seed part of it—that has been taken care of?

Mr. HIBBEN. Mr. Hoover himself has given out the statement that that is already over there, or on its way. The seed problem has been taken care of.

Senator KENDRICK. Your idea is that there is need for relief; that the seed proposition has been taken care of, but there is need for relief between this time and the coming harvest?

Mr. HIBBEN. Exactly—yes, sir. In other words, Mr. Hoover, if he knew that he had additional supplies from this Government, could use all of his stock to feed a vast number of people for a short time, knowing that the rest would be on its way to carry it through to harvest for all the people who are starving. Instead of having 6,000,000 people dying, you would have 6,000,000 people living. That is what I want to see.

The CHAIRMAN. The committee will meet to-morrow at 10.30.

(Whereupon, the committee adjourned until to-morrow, Friday, March 3, 1922, at 10.30 o'clock a. m.)

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(The following documents were by the committee ordered printed in the record as a part of Mr. Hibben's statement:)

DEPARTMENT OF COMMERCE,
OFFICE OF THE SECRETARY,
Washington, January 26, 1922.

Mr. J. PAXTON HIBBEN,
Near East Relief Committee, New York City.

MY DEAR MR. HIBBEN: I understand that you have recently criticised the work of the American Relief Administration in Russia in public and that you have likewise taken occasion to make very disagreeable statements in regard to me personally. If this report is correct I should be glad if you would write me the same statement which you have made in public.

Yours faithfully,

HERBERT HOOVER.

JANUARY 29, 1922.

DEAR MR. HOOVER: Thank you very much for your frank letter of January 26 raising directly with me the matter of what I may have been reported to have said in respect of the American relief now being extended to the starving of Russia. It is quite like you to write me at once about this matter, and I appreciate it profoundly. I am very glad indeed of the opportunity to make my position toward the relief of the famine sufferers in Russia quite clear to you, as I had thought I had already made it clear in my talk with you on October 27 last, just after my return from Russia.

First, permit me to clear up one matter, as I note that you address me in care of the Near East Relief. Please accept my assurance that nothing I have said or shall say about the Russian situation in any way whatever reflects or claims to reflect the opinions of anyone connected with the Near East Relief. My views on Russia are my own.

Second, let me say as categorically as I can that I have never dreamed of making any "very disagreeable statements" in regard to you personally, when in public or in private. Indeed, my whole feeling toward you is and has always been one which would prompt me rather to make very agreeable statements in regard to you personally and indeed I have made many such in public, in private, and in print. Writing in Holland's Magazine a year ago, in an article that was afterwards reproduced in over 200 newspapers throughout the country, I said, in regard to your relief program in Central Europe:

"We had rather those whom we help chafed under the necessity for receiving aid and were constantly planning their own economic regeneration and real, not ostensible, independence. When we find this spirit in a people there is no limit to our generosity, because we feel that in what we do there can be no possible imputation of interested motives."

"Herbert Hoover has understood this from the start, and because he has understood it he could and he can to-day go before the American people with a figure of financial aid required that may seem fantastic, ask it in the name of humanity, and get it—every cent of it. The people of the United States know that Hoover represents no interest, financial, commercial or sectarian. They know, too, that he is interested not in the least in merely helping the helpless, but in helping people to help themselves. That is what we, as Americans, want to see done, and so we are ready to put any amount in the hands of Herbert Hoover, or any other man or responsible organization regarding relief work in this light, and to say:

"Go ahead—the greatest good for the greatest number. It is the American idea—eventually, every man standing on his own feet."

On August 15 last, Mr. A. A. Johnson, chairman of the Russian Commission of the Near East Relief, wrote you from Tiflis:

"I may add that should you so desire it the three original members of the commission, myself, Capt. Hibben, and Mr. Connes, are ready to remain in Russia under your orders and continue the work that you may care to have done, or to return to Russia for that purpose after our report is presented to you."

This was true then, and is still true.

Writing in Leslie's Weekly as recently as December 10 last, on the present situation in Russia, I expressed the same sentiment in regard to you that I had expressed a year before in Holland's Magazine:

"And that is why it is a mighty good thing that Herbert Hoover decided to send food and aid into Russia, and Americans as relief workers to feed the children and care for the sick and help out, generally, with big hearts and ready hands. For, after all, we in the United States do not really want to starve millions of women and children to death on account of anybody's political opinions."

That is my own position, certainly, and for that reason I offered on my return from Russia to speak without compensation of any kind at meetings organized by any honest committee whatever seeking funds to aid the starving of Russia and have so spoken for the Friends, for the Russian famine fund, the American Medical Aid for Russia, the Friends of Soviet Russia, and the Russian Red Cross. I expect to continue to aid in every way that I can in my own personal time any or all of these organizations desiring help to raise funds.

Now under these circumstances, and with the view of your attitude toward relief work which I have set forth in the first quotation given above, I have been much worried of late by reports in the press that various persons speaking, it is claimed, either for the American relief administration or for the United States Government, prominent among them Admiral Niblack, have spread abroad the impression that for one reason or another there is no further use in committees appealing to the generosity of the American people for funds to aid the starving of Russia.

One of the reasons given is that the \$36,000,000 rendered available for famine relief and seed grain through the American relief association will take care of the need in Russia. This, of course, is not true, as no one knows better than you do, and I have not hesitated to deny this statement at every possible opportunity. The grotesque assumption that approximately \$1.50 per person for food and seed among those affected by the famine in Russia will suffice to keep them until mid-August is in keeping with much of the mischievous propaganda about conditions in Russia which, unfortunately, seems to find credence in Washington. So far as I know you have never been quoted as saying anything so at variance with the facts, and certainly I have never dreamed of stating that you had.

The other reason commonly given for discouraging general appeals to the public for aid to the starving of Russia is the allegation that the transportation system and the ports of Russia are so badly out of repair that they can not handle any food or other supplies additional to those of which the American Relief Administration disposes. It was this phase of the matter which I took up in detail at a luncheon of the Foreign Policy Association at the Hotel Astor, on January 21. I have written Mr. McDonald requesting that he return me the advance copy of what I planned to say, with which I supplied him, or secure for me a stenographic transcript of what I did say at this meeting, which I shall be very glad to forward to you. Either or both of these documents will speak for themselves. It will be clear at once that I certainly did not in any way criticize you personally—indeed, that I specifically said that I “impugn the motives of no man.”

It will be equally clear I hope that I in no sense criticized the work of the American Relief Administration in Russia, which I regard as very fine work so far as it goes; but I did express a regret which I feel profoundly that the aid extended to starving Russia by the United States does not and never has contemplated a sufficient aid of that unhappy people to prevent a vast harvest of death before the next crop can be got in. I disagreed with Gov. Goodrich as to the tonnage the railways of Russia could handle, the difference between his figures and mine being a matter of 2,000 tons daily, only 25 per cent of his total and 20 per cent of mine, which difference I am persuaded could easily be made up by employing other ports of entry and routes than those whose use is now projected. I mentioned specifically the ports of Sevastopol, Nikolaieff, Berdyansk, Mariopol, Feodosia, Kertch, Taganrog, Odessa, and Batum (via Baku and the Caspian to Astrakhan) as possibilities for the landing of supplies sent in through the Black Sea, in addition to the obvious ports of Novorossiisk and Rostoff-on-Don. I pointed out that 10,000 tons of grain daily would feed 17,500,000 persons 14 ounces daily and stated that I saw no reason why this number of starving or even of hungry should not be fed, by Congress or by additional funds raised by private subscriptions, and we were willing to feed as many of the suffering of Russia as possible. When Gov. Goodrich replied that it would take 100 days to distribute the supplies which the American Relief Administration had already purchased to send to Russia, over the lines now being used, I pointed out that there would still be over 100 days more before the harvests could be in, and asked what it was planned to do then.

No one knows better than you that money for charity can not be raised in large quantities in a few days. Should the American Relief Administration employ every possible route for sending grain into Russia and thus distribute more than 10,000 tons per day, there is certain to come a moment when further supplies can be sent in if they are available—not only food, but clothing, medical supplies, farming implements, tractors, and other articles necessary for the saving of the people of Russia from more famine and death next winter. If appeals are made for such articles now, they will be available when the immediate transportation crisis in Russia is over, when the Don and the Volga are open, and the amount of tonnage that can be handled, greatly increased. But if we wait until the transportation needs of the A. R. A. are satisfied to make an appeal for these things for the starving and destitute of Russia, they will not be ready; and no power on earth can get them ready on a few days' notice.

With this in mind, I asked very plainly at the meeting in question whether there was any good reason, outside of that of transport which I do not, for the reasons I have just stated, consider a sound one, why as many appeals as can be launched should not be made to the American people for all the funds requisite to save every possible man, woman, and child in Russia from starvation: and I pointed out that any restriction of the relief being extended to the Russian people to a single semiofficial agency operating with public funds could not fail to place that single agency in a position where it would be possible to use relief as a means of political pressure in dealing with the Russian Government or moral pressure in dealing with the Russian people. I did not say, and I have never said that our Government contemplates any such use of the relief funds appropriated by the Congress. But I did say that in my opinion no such use of relief funds as political or moral pressure upon Russia can be tolerated without the express approval of the American people, whose funds they are.

I speak with the more vehemence on this subject because, while correspondent of the Associated Press in Greece in 1916 and 1917, I saw a food blockade of Greece used to coerce the Greeks from their neutrality through the slow starvation of the Greek people, by the Governments of France, Great Britain, and Italy, in which Governments there were men as high-minded, individually, as any in our own Government. It is useless for people to say that things of this sort can not be done in a civilized world; they have been done and I have seen them done. As an American I do not want to see my own Government even tempted to pursue such a course; and plainly the time to speak of it is before, not afterwards.

Moreover, various persons of standing have come to me with the fear that such a thing may be or become the purpose of the United States. The thing was being whispered about. It seemed to me that the one way to stop rumors of this sort, to allay the uneasiness of many persons, would be to bring the whole matter into open discussion. It would furnish you, or someone in your name, the opportunity to say publicly that there seems to be need for all the aid that can be gathered in the United States for the starving and destitute people of Russia, in addition to the amount appropriated by the Congress; and that such relief agencies as, for example, the Friends, are performing a valuable service in Russia and should receive support. Such a public statement would put an end to all doubts and all whispers.

In an editorial on August 13, the Times said: "Mr. Hoover * * * asks only the opportunity to learn through trained observers what the need is, and then to give solely and fairly as that need suggests." You have learned what the need is, and you know that it is far greater than all that the \$36,000,000 now being spent by the A. R. A. for relief purposes can cope with. Will you not assist those who want to see 100 per cent relief of the Russian people—who want to see no child that can be saved die—by publicly stating that there is need for relief additional to that now going to Russia through the A. R. A.?

One further word. When I returned from Russia I had in mind very deeply what you had said on March 25 last: "Nothing is more important to the whole commercial world than the recovery of productivity in Russia," and it was with this in mind that I drafted the recommendations of the report which our commission submitted to you on October 27. Talking with you that day, I urged as strongly as I could your leadership in the formation of a new American policy of aiding the economic regeneration of Russia by open trade, by credits based on the natural resources of Russia, and by the sending to Russia of a commission of technical experts to establish the economic needs of the country, in cooperation with the soviet authorities. It seemed to me that the man who had had the courage to regain the friendship of our late enemies in the European war by coming to the aid of their starving was the man to lead in this great, new enterprise to cure not Russia alone but the whole world of its ills of commercial and industrial stagnation, unemployment, and unrest.

I shall not pretend to you, sir, that I was not disappointed to hear you say that you felt that the American people would not countenance such a policy—that you were convinced that they would want to limit their aid of Russia to a more temporary aid of the starving. I told you frankly, then, that I did not agree with you in this. I feel that the man whom I described—and described accurately, I am sure—in my article in Holland's Magazine, could swing the whole American people to the will to save Russia, economically, to the world. I know of no one else who could.

At the same luncheon at which I spoke, Mr. Otto H. Kahn said of our policy toward Russia that "the world had had enough of a policy of timidity and fear; that it needed to try out a policy of mercy and faith." I believe this, sir, and I am only sorry that you do not.

Very sincerely, yours,

PAXTON HIBBEN.

Hon. HERBERT HOOVER,
Secretary of Commerce, Washington, D. C.

TAKING FOOD FROM THE STARVING.

The natural consequence of the silly attack upon various bodies which are collecting funds and food for Russians in the famine areas will be to add to the millions of innocent and innocent victims. Bureaucrats scattered throughout the Department of Justice, the Department of State, and the Department of Commerce, for purposes of publicity, are carrying on a private war with the bolshevist government. As individuals these press agents are entitled to their opinions, but it is an offense against humanity for them to attempt, as was done this morning, to stop the sending of food to the starving.

Impartial information concerning the state of affairs in Russia is not scarce. Besides official investigations, many of the leading papers of this country and of England have sent correspondents into the country to make direct reports. Their testimony has been unanimous. Millions of peasant farmers with their women and children are in the stricken area. Lloyd George referred to the Russian famine as one of the great catastrophes of civilization. The need is so obviously terrible that the conscience of the civilized world was aroused. Congress acted, and many voluntary associations of citizens, men and women, most of whom loathed the bolshevist government as completely as in other years they had despised the czaristic régime, began to raise funds for the relief of those about to die.

It is conceivable that some of the bolshevist partisans in this country may have said foolish or prejudiced things. But what difference does that make? The anti-bolshevist partisans are not less mad. The vast majority of the men and women concerned in Russian relief are thinking about the hunger of women, of little children, of simple farmers who are wasting to death, and not about bolshevist politics. The attack made upon these organizations is consequently as infamous as it is absurd. The President of the United States has been conspicuous among those who were unwilling to sit idly by while millions of Russians went down to death because of the lack of food. The bureaucratic propagandists who liberate innuendoes and inspireanders against these relief organizations might as logically attack the President.

The Washington propaganda has grown to menacing proportions. The State Department, the Department of Commerce, and the Department of Justice are all infected with it. Messrs. Hughes and Hoover and Daugherty will do well to clean their houses before public irritation reaches too high a point. The American people will not long endure a presumptuous bureaucracy which for its own wretched purposes is willing to let millions of innocent people die.

JANUARY 31, 1922.

DEAR MR. HOOVER: As I promised to do in my letter of January 29, I am sending you herewith a copy of the stenographic report of my remarks at the luncheon of the Foreign Policy Association on January 21. You will see, I feel sure, that there is nothing in what I said then and what I still believe that could properly be termed criticism of the work of the American Relief Administration, and certainly nothing that could by any stretch of the imagination be regarded as very disagreeable in regard to you personally.

At the same time I am venturing to send you also a brief and very superficial memorandum of the need in Russia as I see it, in support of my contention that there is need for all the aid that can be collected by every reputable agency seeking aid for Russia, to supplement the supplies being sent to Russia by the American Relief Administration.

Believe me, sir, very sincerely, yours,

PAXTON HIBBEN.

Hon. HERBERT HOOVER,
Department of Commerce, Washington, D. C.

REMARKS OF CAPT. PAXTON HIBBEN AT THE LUNCHEON OF THE FOREIGN POLICY ASSOCIATION, HOTEL ASTOR, JANUARY 21, 1922. STENOGRAPHIC REPORT.

Mr. PAXTON HIBBEN. Mr. Chairman, ladies, and gentlemen. I am exceedingly sorry that I can not present as one of my qualifications to speak to you the fact that I have been in jail. [Laughter.] I have never been in jail yet, I am sorry to say [laughter], but I have hopes [laughter].

Now, I agree with almost everything that Mrs. Harrison said, so much so that I am not going to take up at all that line of reminiscence of what I saw in Russia; I

am going to leave it with her, disagreeing with her on two points, which I shall state now.

I don't find—and it is not at all because I know more about Russia than she does, but perhaps I know more about communism than she does—I don't find that Russia is now, ever has been, or is likely to be for a very long time a communist dictatorship or communist anything. I grant you that the men who are in charge of Russia are for the most part communists; but I know that the men who are in charge of the United States are Christians, too. [Laughter.]

And the second point of disagreement that I have with Mrs. Harrison is about free speech. Now, I went into Russia with no right to go there, I suppose; not from any prohibition by the Russian Government—they were very glad to have me come—but because before I could go into Russia my own Government took my passport away from me. I was rather cross about this and when I found out, on coming out of Russia, that the Government had been sending me telegrams about what to do and what not to do while I was in Russia, I went back to the State Department and asked them how they got that way; I told them, "After you take my passport away from me I will do what I damn please" [laughter], and I did.

Throughout Russia, from one end to the other—and I also speak Russian to a certain extent—I found criticism of the present government of Russia rampant. There was no group of Russians about a station or in a tea shop or any place else that were not talking politics very violently, and a great many of them, perhaps the majority of them, attacking the present government; but I want you to understand that the criticism was the type of criticism that you hear in any country, that you can hear in this country, where you hear Democrats who are attacking the government of Mr. Harding. It was not that type of criticism which will lead to a revolution in Russia, and for that type of criticism—I mean open criticism of the government—there was absolute freedom of speech as far as I could see.

Now, the matter which concerns me and which Mr. McDonald says is controversial—the matter which concerns me very distinctly and I think you, too, as American citizens, is the question of our national attitude—our governmental attitude, if you please—toward the present government of Russia and the bearing which the relief now being administered in Russia has upon that attitude.

I happened to be in Russia at the time that the arrangement between the Russian soviet government and the American Relief Administration was effected, and I was there when the first representatives of the American Relief Administration arrived in Moscow. I talked about this program of relief with many of the people in the Soviet government and I found that there was a very distinct view about it on the part of the Russians themselves—they were rather dubious about the motives which underlay our undertaking relief in Russia. Now, they had had the Friends working in Russia for some years and the Friends had earned the very high regard of everybody in Russia. They had minded their own business and they had effected very excellent relief, on a very small scale of course, and everybody liked them. With the arrival of the people of the American Relief Administration everybody began to ask: "What is the big idea of feeding a million children and leaving about 27,000,000 people to starve? What is to be gained by it?"

So with that idea very strong in my mind, when I came back I went to Washington and I had an opportunity of talking with Mr. Hoover and I told him that in my view which is Mrs. Harrison's view, there was only one really effective relief that could be given to Russia and that was a constructive relief that would enable the Russians to get on their own feet, and that relief of a very few people in Russia would inevitably lead to the death of a very great many and possibly to another famine next year owing to the lack of production because of the lack of seed grain and because of the lack of agricultural implements and so on; and I put it very strongly to Mr. Hoover that we were really sincere as a people or as a government in trying to get Russia back on her feet, in trying to help the Russian people to help themselves, that there was one way to do it, and only one, and that was a comprehensive scheme of economic relief which would put Russia back in position to support herself. And Mr. Hoover replied that he was sure that the American people would not do this, that he believed that the American people would grant any amount of relief for starving children, but they were not interested in putting Russia back on her economic feet.

I said to Mr. Hoover that I disagreed with him, that I believed that if the matter were put squarely before the American people they would be for the economic regeneration of Russia, and I asked his permission to go out and say frankly what I thought about that and he said, "Go as far as you like; the more you talk about Russia the better people will understand it." And so I am talking now quite frankly in opposition to this attitude which Mr. Hoover has taken, in which he may be right and I may be quite wrong.

Now, about this Mr. Allen Wardwell, who is here, headed a committee for relief called the Russian Famine Fund, which went out to gather funds to be used by the Quakers in their relief work in Russia. The Quakers, of course, had been working in a very small way. The idea was to get together \$5,000,000 to enable the Quakers to extend their relief, and this committee included a very great many good people, and was all for it, and I think most everybody was for it. And about that time Mr. Wardwell came before Congress and asked for \$20,000,000 to buy supplies to send to Russia, and he got it; and then there came a changed attitude on the part of our Government toward this relief business, and it is that that I want to put before you to-day, and I think we ought to be cleared up in this matter, because this \$20,000,000 does not belong to the administration in Washington or to anybody else—it belongs to us and to me who pay the taxes; we have brought this \$20,000,000 into the Treasury of the United States Government and we have something to say about how it is to be spent. At the moment that \$20,000,000 was turned over to the American Relief Administration there came into the public prints a great deal of talk about the transportation situation in Russia being so bad that nothing more could be handled in the way of relief supplies except what was to be bought and sent in by the American Relief Administration; other words, that it would be necessary for Mr. Wardwell's very excellent Committee of the Russian Famine Fund to curtail its work, because even if it did get \$5,000,000 it could not send supplies into Russia for the reason that the Russian ports and the Russian railways could not carry those supplies; and I happen to know that a great many people who inquired of those in authority in the American Relief Administration were told there was no use of raising more than the \$20,000,000, because the additional supplies could not be taken care of by the Russian transportation system.

Now, I spent a great deal of time in observing the Russian transportation system, and I do not believe that's true; I believe that the people in this country are misinformed. I know that the men who ran one of the railways there told me they could handle 2,700 tons of food every day out of Novorossiisk; I know that Professor Lomonosoff, who is head of the Russian railways, told me that the railways of Rostoff could handle 2,000 tons of food a day; that makes 4,700 tons of food. I know in addition to those ports there is Nikolaieff and Berdyansk and Sebastopol and Feodosia and Kertch and Odessa and Mariopol, all ports that lead into points on the Volga by rail, all of which could carry a great deal of food supplies. I know so that there is the great Trans-caucasian Railway that runs from Batum to Baku, which could carry supplies from Batum to the Caspian Sea, where they could be carried up to Astrakhan at the mouth of the Volga. In other words, I am convinced that if one wanted to do it, one could deliver 10,000 tons of food a day to the Volga famine region, and 10,000 tons of food a day would mean the saving of the lives of 500,000 people instead of 1,250,000 people, who are all that are being fed by the American relief to-day.

Now, I respectfully submit to you that there is something upon which we ought to be clear. Is there an effort to concentrate or to limit in any way the relief which is being given by the American people, with the possibility always that those who do not receive relief will become dissatisfied with the present Government and overturn the Government; and if there is that tendency or that purpose to limit the relief that we are extending to Russia, why is it being so limited and what is the idea behind it? Now, I am impugning nobody's motives, I am simply asking this question as one American taxpayer, and I leave it with you to think it over.

There is another question which confronts me also, and that is whether Russia is to have that peace which Mrs. Harrison says is so essential to any real solution of the Russian problem. I think that that peace depends, of course, not upon us, because we are not going to make war on Russia, I take it, but it does depend upon the attitude of the European powers; and with the present change of Government in France, I think we are all asking ourselves what is Monsieur Poincare's attitude going to be toward Bolshevik Russia?

In that connection, a fact which has come to my attention, which has been reported to me, is of interest. I have been informed by a diplomat, who is in position to know hereof he speaks, that, on the 21st of last October at Angora, Monsieur Franklin duval, representing the French Government and the Minister for Foreign Affairs of the Turkish Nationalist Government entered into a secret agreement by which the French were to supply the Turkish Nationalist Government with a hundred million francs in gold and with ammunition necessary to prosecute a new war upon Soviet Russia this spring. Now, I have no proof of that: I simply have the word of this diplomat who tells me that he was present at various conferences in Paris in which large French financial interests were represented, and he gives me the name of the man who has acted as the paymaster for this little scheme, and he explains to me that the purpose of it—and it seems to me a rather reasonable purpose—is to secure for France

that oil field just north of the Caucasus Mountains which France has not been able to secure by any arrangement which she has been able to make with the British Government since the treaty of Versailles. You will recall that the conference at San Remo oil played a very large part, and it was so arranged that the Mesopotamian oil field should be largely—75 per cent, I believe—British owned; and Admiral Chester reported about the Persian oil fields that they were virtually completely under British control. The oil fields of Baku, which were formerly the second largest oil fields in the world, used to belong very largely to the Rothschild interests, which are French.

In the course of many negotiations which have taken place in the last few years, the Royal Dutch Co., which really controlled that oil field, passed into British hands, and the French have only a very small proportional part in the nominal ownership of the Baku oil fields, which of course, are actually in the possession of the Soviet Government. That leaves the British in control of all the fields of the Near East, and the French with nothing.

If the French are going to have large battleships, or if they are going to have a large fleet of submarines, they must have oil. I am not blaming the French. As the world is to-day, it is impossible for a nation to have a navy without oil, and if the French get into an agreement with the Turkish Nationalist Government by which they expect to be able to wrest from Russia a large oil field, producing something like 2,000,000 tons of oil in 1916, that is a business as business is done to-day, isn't it?

But, what does interest me, my friends, is this: That any new attack upon Soviet Russia is going to produce more hardships, is going to drive that distracted people into a further condition of abysmal despair, and may launch on the world more war and more misery; and it does seem to me that it is an infamous thing that this should take place without somebody trying to stop it. Now, I don't know—as I say, I have no documents to prove this; it may be quite wrong—but it does seem to me we can all profit by bringing it out in the open and having a talk about it and seeing just what the French are at.

There is another element in the situation, of course, which seems to be fraught with danger—and perhaps that is because I have, as Mr. McDonald said, lived a long while in the Near East—and that is, the price which the French, according to my informant, have paid to the Turks for this agreement; for, obviously, the Turks are not doing this for love of the French; they are doing it because they expect to get something themselves, and what they expect to get out of it is, of course, the old thing we have heard so much about—a vast Mohammedan corridor all the way to India; and they expect to get it in this way.

Mind you, that dream has been the dream of a vast number in Turkey and among the Mohammedans for many years. The realization of that dream really enlisted Enver Pasha and Talaat Pasha on the side of Germany in 1914; it was that dream which led the Turkish army to Baku in 1918, after the breakup of the Russian Trans-Caucasian army; it was the realization of that dream, in the fall of 1920, which led the commander in chief of the Turkish Nationalist army to invade Armenia, and to try to reach Baku and to hook up Mohammedan Turkey with Mohammedan Azerbaijan and reach all the way to India. In 1920 Russia put her foot down and said: "We will not allow the creation of a vast imperial Mohammedanism in the world to-day."

Now, if the Turks have hooked up with the French and expect to hook up Turkey with Azerbaijan and so on around to India, the French getting the oil fields, on the way, out of it, and the Turks finally realizing this dream of a vast imperialistic, militaristic Mohammedan empire, it seems to me that we are going backward from even such a peace as we have, resulting from the war; and I respectfully submit to you that that is also a matter that we must take up and bring out in the open and talk about.

Now, my friends, I have talked a great deal about other things; but I want to say one little word about Soviet Russia. When I came out of Soviet Russia I felt very much like a man who had stepped out of a fairy story. You remember all of you, that old fairy story about a swineherd's son who married the beautiful princess and who, before he could get her, had to pass through so many trials? You remember he had to pass over the Great Desert, where he found all the bleaching bones of the people who had died on their way to the beautiful princess, and how he was guided by this fairy godmother of his, and how he came to the tree where there was the golden apple, and it was guarded by a great dragon; and by the help of his fairy godmother he somehow or other got that golden apple. And then he came to the great mountain of glass. And on top of this mountain was the palace, with its sweet, cool garden where the princess lived. And it was his fairy godmother who got him somehow or other to the top of the mountain of glass; and he came at last in that sweet, cool garden where the beautiful princess lived. And the name of that fairy godmother is Faith.

I felt when I left Russia and came back to this world, where everybody is toiling and sweating and getting money, only to give it away; where people are hating one another; where people are driving one another out of work; where there are those

to are great and rich and those who are poor and needy and starving, and where there only hatred in the world, one for the other—I felt as though I had come out of a fairy story when I left Russia. And I know and you know, in our hearts, that this thing which those people over there have conceived—this great, wonderful life where we all have a chance of beauty and fulfillment and education and fineness, is a wonderful, wonderful dream. Maybe it can't be. Maybe it will only be thousands of years before that great dream comes true. But that dream will come true only if we have it, only if we believe in fairies—and I do. [Great applause.]

MEMORANDUM OF THE NEED IN RUSSIA.

Figures furnished by those actually operating railways in question:
Novorossiisk, 2,700 tons daily, 3 trains, 50 cars each, 1,000 poods (36,000 pounds) per car; Rostoff or Taganrog, 2,000 tons daily; Nikolaieff, Berdyansk, Mariupol, Feodosia, Kertch, and Odessa, 4,300 tons daily;¹ Batum, 1,000 tons daily¹ for shipment via Baku and thence via the Caspian Sea to Astrakhan; total, 10,000 tons daily through ice-free southern ports.

So soon as the Don is open the Don could be used from its mouth to Kalechinskaya, and thence by rail to Tsaritsin. Over this route, 8,000 tons could be handled daily.

It is important to consider that a large supply of grain should be ready at Rostoff and Astrakhan for shipment by boat so soon as navigation is open. This stock can be cumulated now at both points, the latter being reached by shipments into Batum and through Baku and via the Caspian Sea to Astrakhan.

If the ports can handle from the Black Sea 10,000 tons daily now, and in order to apportion to a maximum advantage the rivers so soon as they are ice free, a surplus must be accumulated for later river traffic, then more than 10,000 tons of grain must be sent to the Black Sea daily, now.

Given \$30,000,000 to spend for grain, with the grain costing approximately \$39.86 per ton to buy and ship, the total that can be purchased and shipped for the sum available would be approximately 750,000 tons. Even at only 10,000 tons per day, the entire shipment would be delivered in Russia in 75 days, or by the middle of April.

By the middle of April, or even before, both the Don and the Volga will be open for shipping, and approximately thrice the amount of tonnage can be handled that now being handled. But the supplies must be got to the Don port of Rostoff and the Volga port of Astrakhan (via Batum and Baku) before that date, if full advantage to be taken of this fact.

No harvest is to be expected before mid-July and no general distribution of harvests, especially spring grain, before mid-August, from February 1 to July 15 is 165 days, or 90 days more than the period within which the entire A. R. A. shipments of grain to Russia should have been completed. To August 15, it would be 121 days beyond the time when the A. R. A. shipments of grain to Russia should have been completed. What, if anything, is to be shipped into Russia during this crucial period, and by whom?

It must be recalled that the entire \$30,000,000 fund for the purchase of grain is not for the purchase of food, \$10,000,000 contributed by the soviet government is primarily for seed grain. The remaining \$20,000,000 would therefore, if all spent on the purchase of grain for food, without overhead or other expenses save the cost of eight from the United States to Russia at approximately \$12 per ton, purchase only about 500,000 tons of food grain. And this amount would feed only about 7,000,000 people from February 1 to July 15, and 5,831,000 to August 15, at 14 ounces per day per person.

Now, the New York Tribune of January 19 published a report received from the A. R. A., 42 Broadway, in which it is said that "the administration is planning to provide daily meals for 2,000,000 by March 1." This figure may be taken as reasonable. A London dispatch to the Universal Service, of January 30, credits Mr. Walter Brown with stating that the A. R. A. will be feeding 8,000,000 people in Russia before the end of February. This is a fantastic figure and may be taken as approximately the maximum that the A. R. A. can hope to feed at any time. Even accepting this figure, however, THE NEED IN RUSSIA IS BY NO MEANS SATISFIED. With all the money at its disposal spent in grain and getting the grain to Russia, the A. R. A. could feed 8,000,000 people only to about the middle of July, and, of course, all of its funds are not spent on grain and getting the grain to Russia.

¹Estimated.

Every estimate of those who are starving in Russia gives a higher figure than 8,000,000. The New York Tribune of January 6, says: "American relief workers, originally cautiously, placed the number of probable deaths in the famine area this winter at 2,000,000, now say that 5,000,000 is a low estimate, and many say the 10,000,000, or even more, may be swallowed up by the famine." The Globe of January 7 says, editorially: "The American Government will be largely responsible for saving between 5,000,000 and 10,000,000 Russian children and adults who would otherwise have died before the next harvest." The Morning World of December 1 says, editorially: "Latest reports from the American officials state that of the 30,000,000 persons affected by the famine, 15,000,000 are in imminent danger of the worst effects of starvation." The Times of December 26 says, editorially: "With 15,000,000 million people suffering in the famine areas, even twice 15,000,000 bushels of corn will not go far." President Kalinin is quoted in a Times dispatch from Copenhagen January 7, as saying: "Twenty-seven million starving in Russia." Correspondent Haskell, in an Associated Press dispatch from Moscow of January 6, says: "We can never hope to fill their stomachs, but we can keep from 5,000,000 to 10,000,000 from starving." The New York Evening Post says, editorially, on December 2: "Some 15,000,000 are starving, and 40,000,000 are affected."

Even if the A. R. A. were able to feed 8,000,000 from March 1 on until its stocks were exhausted, about the middle of July, to feed 2,000,000 or 10,000,000, which seems to be a fair estimate of the need, would require 145,000 tons additional grain costing \$5,800,000 to purchase and get to Russia, in addition to the money appropriated by Congress. Even to feed these 8,000,000 and no others the difference of time between mid-July and mid-August, when harvests may be expected, would require \$5,200,000 more than is now available through the A. R. A., while to feed 10,000,000 instead of 8,000,000 the full time to mid-August would require \$12,300,000 more than the funds at the disposal of the A. R. A.

How is this vast sum to be raised unless every single agency now seeking to collect money for the starving of Russia is aided and encouraged in every possible way?

PAXTON HIBBEN.

DEPARTMENT OF COMMERCE,
OFFICE OF THE SECRETARY,
Washington, February 3, 1922.

Mr. PAXTON HIBBEN,
New York City.

DEAR MR. HIBBEN: I am glad to have you say that you have made no criticism of the American Relief Administration. However, I do not suppose you mean that I should consider it a compliment for you to express intense fear that I shall commit murder. Nothing but experience will prove Russia's transportation capacity. The Soviet authorities have asked me to slow our sea shipments down by one-half. It does not look very good, and we may still have food in the ports at next harvest with millions dead. I have, however, sent an expert staff to see what improvements we can make.

Your last paragraph reminds me of similar statements made over a period of years because I insisted that some one else should undertake the burden of Russian relief. Then when I did undertake it most unwillingly the same people, including the persons connected with committees with which you are associated, have been unceasing in criticism because I do not do more, or do not do it in their way. Yet I have put together \$47,500,000 against less than \$2,000,000 from all the rest of the world.

So it goes—but it is no encouragement to interest oneself in Russia when there are other burdens equally important and of less perverseness.

Yours, faithfully,

HERBERT HOOVER.

NEW YORK CITY, *February 9, 1922.*

DEAR MR. HOOVER: Thank you for your courteous letter of February 3. I believe that I can add very little to what is said in the editorial in to-day's New York Globe, of which I attach copy.

Very sincerely, yours,

PAXTON HIBBEN.

Hon. HERBERT HOOVER,
Secretary of Commerce, Washington, D. C.

STABILIZING PRICES OF CERTAIN AGRICULTURAL PRODUCTS. 245

LOG OF THE RUSSIAN MISSION OF THE NEAR EAST RELIEF, AUGUST 12, 1921, TO
SEPTEMBER 19, 1921.

Members of commission: Albert A. Johnson, chairman; Paxton Hibben, secretary; L. A. Yarrow, treasurer; Frank Connes; John R. Voris.

AUGUST 12, 1921.

MINUTES OF THE ORGANIZATION MEETING OF THE RUSSIAN MISSION OF THE NEAR
EAST RELIEF, BATUM, ADJARIA.

Present: Charles V. Vickrey, general secretary of the Near East Relief; A. A. Johnson, director of the New York State Institute of Applied Agriculture, Farmingdale, N. Y.; E. A. Yarrow, director general of the Near East Relief in Transcaucasia; Frank Connes, official interpreter of the New York State Supreme Court; John R. Voris, associate general secretary of the Near East Relief.

Moved, seconded, and passed that A. A. Johnson act as chairman of the mission.

Moved, seconded, and passed that Capt. Paxton Hibben, F. A., R. C., be secretary, and E. A. Yarrow, treasurer, of the mission.

Moved, seconded, and passed that the name of the commission be the Russian Commission of the Near East Relief, and that its membership be composed as follows:

1. A. A. Johnson, director, New York State Institute of Applied Agriculture.

2. E. A. Yarrow, director general of the Caucasus branch, Near East Relief.

3. Paxton Hibben, writer; economist; at present time associated with the Near East Relief.

4. John R. Voris, associate general secretary of the Near East Relief.

5. Frank Connes, official interpreter of the Supreme Court of the State of New York.

Object.—The object of the commission is to assemble information as to economic conditions and reputed destitution in Russia, in cooperation with the Russian Government, with a view to placing this information, when gathered, before such American organization as may be designated to represent the American people in extending relief to Russia; or, if no such organization be designated, to place the findings of the commission before the American people through whatever channels may be available. The commission understands that while this action has been taken in an emergency, and in order to take advantage of an unusual opportunity for investigation offered by the Russian Government, the Near East Relief in naming this commission has no thought of projecting either its name or its operations into new territory.

Moved, seconded, and passed that on any given question of policy the method or procedure on the part of the commission shall be, on the expression of the desire of any member of the commission, to take a vote on the question of policy involved, the course of the commission to be guided by the will of the majority.

Moved, seconded, and passed that all findings and important decisions of the commission be made in the names of all five members of the commission.

Meeting adjourned.

Following this meeting of the commission Charles V. Vickrey, general secretary of the Near East Relief, sent the following cablegram to the office of the Near East Relief, 151 Fifth Avenue, New York City:

BATUM, August 12, 1921.

NEAR EAST,

New York.

Transmit following message promptly Herbert Hoover, Washington, and give such portions publicity as may seem wise after communication Hoover. "Herbert Hoover, Washington, D. C., party of 25 Americans have just returned from personal inspection and survey of conditions in Armenia, Georgia, Russian Transcaucasia. Conditions to-day indescribably worse than at this season last year. People now dying of starvation. Winter will bring wholesale death if large relief is not provided. Situation due to devastation and occupation of country by enemy forces this year until too late to plant adequate crops. Government and people doing everything possible to help themselves, but situation hopeless without outside help. Georgian and Armenian Governments placing all facilities at command Near East Relief. Russian Government invited deputation to visit interior making survey famine conditions Volga region. In view of urgency of need, shortness of time and lack of facilities for prompt interchange of messages have authorized deputation to proceed to Moscow via Volga region accompanied by Sakaloff representing Moscow Government. This action does not presuppose or anticipate any extension of Near East Relief activities into larger Russian field. The mission will merely gather information and make report at com-

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mand of yourself or such American organization as may become officially responsible for relief in this area. Deputation consists of A. A. Johnson (chairman), Yarrow, Voris, Connes, Hibben. Johnson cabling direct for instructions."

VICKREY.

At the same time, Chairman Johnson cabled Mr. Hoover:

HERBERT HOOVER,
Washington, D. C.:

Have just completed survey food crop condition Transcaucasia for Near East Relief. Situation serious. Food supply woefully inadequate. Winter will bring wholesale starvation unless large relief is provided. Georgian and Armenian Governments lending every possible cooperation to Near East Relief, which is well organized to handle relief work in this area. Russian Government invited Near East to send deputation to survey condition in Volga region. Near East recognizes that larger Russian problem is beyond its jurisdiction and resources, but proposes that I head a small mission accepting Government invitation and submitting report for such action as you may deem wise but without any commitment on your part. Party will include Johnson (chairman), Yarrow, Hibben, Connes, Voris. Party expects to leave Tiflis Sunday, August 14, unless you advise otherwise. Details are available. Near East office New York.

A. A. JOHNSON.

The secretary of the commission was thereupon directed to arrange with Foreign Affairs Commissar A. Svanidze, of the Socialist Soviet Republic of Georgia for passports for the commission to proceed to Moscow and with the director of the Transcaucasian railways for accommodations and transportation.

AUGUST 13, 1921.

MINUTES OF THE SECOND MEETING OF THE RUSSIAN COMMISSION OF THE NEAR EAST RELIEF, HELD IN TIFLIS.

Present: A. A. Johnson, chairman; Paxton Hibben, secretary; E. A. Yarrow, treasurer; Frank Connes; John R. Voris.

Minutes of the meeting of August 12, 1921, read and approved.

The secretary reported that passports for the commission had been secured and that transportation in a special car loaned to the commission by the socialist soviet Government of Georgia had been provided to leave Tiflis, Georgia, August 16, 1921, via Baku for Moscow, direct.

Moved, seconded, and carried that Dr. Emilia Burghardt be invited to accompany the commission as attendant physician, but not as a member of the commission.

Moved, seconded, and carried that the request of Melville Chater to accompany the commission be refused on the ground that the commission as constituted is without authority to extend its membership.

Moved, seconded, and carried that Dr. John R. Voris be elected commissary of the commission, and be instructed to secure supplies for the journey.

Moved, seconded and carried that all available photograph films in the possession of any member of the commission be pooled, and that the greatest care be exercised to conserve them, the secretary of the commission being in general charge of the taking of photographs by all members of the party with a view to preventing duplication, that all photographs taken by any members of the party be placed in the hands of the secretary who will, when possible, have the same developed and at least six prints of each made in addition to any prints which may be required for publication, furnishing one print of each to each member of the commission, and returning the negatives to the member of the commission having taken the photograph in question.

Meeting adjourned.

AUGUST 16, 1921.

Commission left Tiflis for Baku at 19.56, complete party as follows: A. A. Johnson, chairman; E. A. Yarrow, treasurer; Paxton Hibben, secretary; Frank Connes, interpreter; John R. Voris, commissary, constituting the commission; and Dr. Emilia Burghardt, attendant physician; Anton Kooshnaroff, orderly; one provodnik attached to the special car, and one soldier of the Red Army as a guard.

The document furnished by the socialist soviet Government of Georgia for the party read as follows:

MANDATE.

SOCIALIST SOVIET REPUBLIC OF GEORGIA,
COMMISSARIAT OF FOREIGN AFFAIRS,

City of Tiflis, August 15, 1921.

The commissar for foreign affairs of the Socialist Soviet Republic of Georgia hereby certifies that the representatives of the American Near East Relief committee below named, to wit, A. A. Johnson, chairman of the commission, director of the Agricultural Institute of the State of New York; Paxton Hibben, secretary, publicist; E. A. Yarrow, treasurer, director general of the American Relief committee in Transcaucasia; Frank Jones, interpreter, interpreter of the Supreme Court of New York; John Voris, general secretary of the American Relief committee of New York; Emilia Burghardt, physician to the commission; Anton Kooshnarooff, courier to the commission, are proceeding to Moscow to study conditions in the famine districts with a view to organizing speedily as possible relief for the starving in Russia.

In consideration whereof the commissar for foreign affairs of the Socialist Soviet Republic of Georgia requests all soviet civil and military authorities of the socialist Soviet Republic of Georgia as well as of all friendly soviet republics, to furnish the best possible cooperation to them during their journey to their destination at Moscow. The above-mentioned American citizens, their car, and all baggage and packages with them are to enjoy unconditional inviolability.

Any disregard of these instructions will be punished according to the existing revolutionary military laws.

A. SVANIDZE,

[SEAL.] *Commissar of the People of the Socialist Soviet Republic of Georgia, for Foreign Affairs.*

S. MAZABELLI, Director.

S. STEPANOFF, Secretary.

AUGUST 16, 1921.

(Visé:) Good until August 30, 1921. Journey across boundaries to Moscow of citizen A. A. Johnson, and the six persons mentioned in this document, with him.

[SEAL.]

Commandant of the Special Department of the Army.

AUGUST 17, 1921.

Azerbaijan. No great want, except for clothing, of which there is immense need. Food seems to be sufficient, but wayside stations crowded with refugees from the Volga district. In Baku questioned one of the peasants in a train carrying 500 persons on the Volga to Baku to work in the oil fields, where little or no work is now going on. peasant said he was from Senghilei, Simbirsk; that all crops and everything growing in Simbirsk and Samara had been burned up by drought and eaten by grasshoppers; people had eaten all animals; cholera and fever raging; 800,000 people had left the two provinces, mostly for Kuban, Government furnishing trains to transport them from stricken provinces to districts where there is plenty. Said all seed grain eaten and most of the wells dried up. Declared that all who had left district would return could be assured of food through winter and seed grain for spring planting. Stated that Government had promised the latter, but that there was no belief that it could obtain the quantity necessary, and there was no prospect of the Government being able to secure the grain to see the population through the winter, in any case. With 1,000 pounds of wheat for food and 250 pounds for seed for spring planting, should be able to weather the winter. This would require about \$120,000,000 to do the job for whole famine district, allowing \$60 per family for the grain supply necessary, and shipping grain to Rostov-on-Don, for distribution. * * * Left Baku 18:00, for Petrovsk.

AUGUST 18, 1921.

Derbent. Port on Caspian badly damaged by bombardment by Denikin's fleet during civil war. Much fruit. No great want except of clothing. Manas. Fishing port. Barrels for dried fish and fish for sale. Petrovsk. Active shipping port on Caspian. Passenger vessels for Astrakhan and Krasnovodsk. Fishing fleet in harbor. Great numbers of refugees from north crowding station, climbing on trains, living in, under, and on box cars. No great food want, but clothing sadly needed, shoes particularly. Those who do not go barefoot wear wooden clogs strapped on their feet with thongs. Along coast north of Petrovsk are burned railway trains and wrecked ships, relics of the civil war. Chereleannaya. Typical Cossack village. Seems very prosperous and well supplied with grain. Crops, however, only fair owing to lack of

nitrogen in soil. Cultivation of land very limited; would make fine land for tractor farming. Experienced some difficulty with boy railway guards account of the boxes of foodstuffs aboard the special car of the commission. Beslan. Long rows of wooden sheds in station grounds where food sold to the hundreds of people packing the trains, on roofs, bumpers, and platforms. All of the stations passed crowded with people moving from place to place, all lacking proper clothing and shoes but by no means starving as yet.

AUGUST 19, 1921.

In Kuban. Character of country changed for better. More cultivation. Thatched roofed Cossack houses give way to substantial wooden houses and even some of brick. Nevinnomysskaya. Many families camped about outskirts. Town very large, covering a great deal of ground. People better clothed than previously, but scarcely more than mere necessity. Only footgear still are boots of soldiers. Large number of men still wearing British uniforms with buttons, captured from Denikin. Armavir. Large market with farmers in from all surrounding country. Prosperous appearance save for wearing apparel. Kavkaskaya. Railway center. On the hill to the north of the railway track a vast number of families gathered in little encampments, representing possibly 5,000 or 6,000 persons. Said to be people who have come from Saratoff district in search of food. Hundreds gathered about railway tracks and station, climbing on trains, living for the most part on watermelons and very badly off for clothing. Railway guards seem to find it impossible to handle all of these people, especially the women, who jump on the trains in motion with utter disregard of risk.

Questioned three officers of the railway guard, mere boys, as to situation. They recalled that during the civil war with Denikin the troops of both sides were largely drawn from this grain-raising district, the Kuban and the Volga country and the Don country. As a result, he said, of the fighting in 1919 and 1920, no crops were sown in either district those years, while what little grain there was in the parts less touched by the fighting was used to feed both armies. In 1920, after the defeat of Denikin, there was a drought in the Volga region and the people of that district had to be fed from the Kuban and the Ukraine, which produced a shortage in all three districts this year, with the result that when the drought hit the Volga region again this year the Kuban and the Ukraine had only sufficient to feed their own inhabitants.

Nevertheless, the spokesman of these men said, when the drought came in the Volga region, the people whose crops had been burned up began to flock into the Kuban or anywhere else that they could go—with no definite objective save to find something to eat, even if it were only grass. The government did not help this situation because it issued permits to the Volga people to purchase bread wherever they could get any, not merely by individuals but by whole communities. The greater part of the refugees crowded into Kavkaskaya and Tikhborietskaya are from Tsaritsin, and the one lower Volga, he said; but he had been in Saratoff and the whole district around Saratoff was deserted and the country waste. Part of this, he stated, was due to a rebellion on the part of German colonists in this region which was put down by the government, but the rest was due to the drought. In Saratoff city alone he saw 14 to 15 people dying in the streets daily of starvation and cholera. The government, he said, had made every effort to concentrate the starving in refugee camps to feed them, but they would not remain and kept wandering off. He estimated that something less than 10,000,000 people are without food, and said that Saratoff is filled with thousands waiting transportation to get out of the rat trap in which they are caught. The government, he said, is trying to arrange orderly transport for them.

As far west as the Woronsch-Ryazan line, he continued, the country will be found to have suffered and to be filled with refugees and starving. He said, also, that a plague of grasshoppers from Novorossisk to Tikhorevskaya in a cloud 15 versts long had swept the country. The government had tried to fight them with poison gas, but only partly successfully.

Rostov-on-Don. Arrived at 7.10 "new time"—the Russian daylight saving time, which is two hours earlier than standard time. The papers for the commission's special read only to Rostov and it became necessary to secure new papers to have the car attached to the Moscow express leaving the following morning at 10.13. There was some difficulty in arranging this, as Engineer Markoff, to whom orders to that effect had been addressed, had left for Tiflis, while Engineer Kozloff, his lieutenant, was ill abed with a high fever. The latter lived about 3 miles from the railway station in three small rooms, with his wife and two children, in the greatest squalor. He was evidently a man of considerable ability who cared nothing whatever about how he lived and worked constantly, with the result that he was on the verge of a complete breakdown. The station master stated that the Moscow train was already made up and that he could not alter its composition without authority. He also was greatly overworked, not having slept in 48 hours. He attempted to telephone Moscow for

authority to add the commission's special car to the train, but could get no one who could give that authority at midnight, when application was made to him. Similarly, the military authorities were unable to get into touch with anyone having the requisite powers. Finally, the secretary and the interpreter of the commission went to the room of Commissar Sadoff, who had charge of the railway lines out of Rostov, in the direction of Vladikavkaz, the opposite direction to Moscow. Commissar Sadoff and his wife occupied a single room at the top of the Moscow Grand Hotel, a soviet house. Madame Sadoff was a singer and had just taken part in a public performance, for which she was dressed in the costume of the days of Eugene Onegin. The commissar said that he had no authority whatever in the matter, but would see what could be done, while Madame Sadoff's eyes filled with tears at the idea of help coming to Russia from America. "I thought that the whole world was against us," she said. "I can scarcely believe that America will help Russia before it is too late."

AUGUST 19, 1921.

The following morning Commissar Sadoff obtained the necessary authority, ordered the commission's car attached to the Moscow train before 9 o'clock, and the commission was able to proceed.

Rostov has suffered considerably from bombardment and fire during the civil war. It has all the appearance of a city still in a war zone, since it has apparently been impossible to obtain any of the building materials necessary to repair the damage done during the fighting of 1919-20. Most of the larger buildings which are still undamaged have been employed as government offices, while the largest and newest hotel has been turned into a university. Shops were closed, as it was a holiday, but there is no evidence that many of them are open at any time. But the public parks are frequented by large numbers of people, children's playgrounds are crowded, and moving-picture houses and places where music is furnished very well attended indeed. Life appears to go on quite normally and the people to be contented despite the lack of almost everything except food. Women are attractively dressed, though they have no stockings, as a rule, and frequently wear men's military boots when dressed up. Many people wear wooden clogs in place of shoes. There is great neatness for Russians among the people and a decided effort to make the best of a bad business. The impression given is somewhat similar to that which must have been given by the people of the South in 1863.

Here, as elsewhere, no trams are running on account of the shortage of fuel, and the cabs are old and dilapidated. The streets are well laid out and broad, but in shocking condition of disrepair. Everyone, however, seems busy save the unhappy thousands of refugees about the station who have come in on trains from the Volga district, and whom the city authorities will not permit to come into the city proper. These people have with them only a few belongings and sleep in family groups on the platforms of the station, under cars, on tops of cars, in box cars where they can find them vacant (rarely, since many people seem to be established permanently in box cars), and all over the great asphalt-paved court before the station.

The country about is very dry, and it is said that there has been no rain in 40 days. The churches are praying for rain, and are reasonably well attended. In the squares about many of the churches wooden booths have been built where food is sold—fruit, tomatoes, pirozhni, etc. There are many tea and chocolate shops where milk is also sold, and several restaurants, well patronized. No wine is to be found anywhere and no liquor. The prohibition, only partially effective in Transcaucasia, here is completely effective. Here also conditions, which in Transcaucasia are still regarded as revolutionary, are looked upon as a matter of course. Questions as to the whereabouts of the "Revcom" were not understood. The local administration does not consider itself and is not considered as revolutionary in any sense but as the established government, and is so regarded. The suggestion that there was anything revolutionary about it merely evoked smiles. The military authorities are very careful not to intervene in any civil matters whatever.

There is, of course, a housing shortage due to the destruction of buildings during the civil war, which there has been no material to rebuild. This is given as the reason why refugees from the Volga are not permitted to enter the town. Aside from this one feature there seems to be no reason why Rostov should not be used as the base for any distribution of supplies to the Volga district. The harbor is excellent. There are two lines of railways from Rostov to Tsaritsin, on the Volga, (1) via Novocherkavsk and Likhaya (double track) through Morozovskaya and Voljskaya, 507 versts; and (2) via Botaisk and Torgovaya, single track, 517 versts. There is also the possibility of using the Don River to Donskaya, thence transshipping by rail to Tsaritsin, 70 versts. The Don, however, freezes about December 15. Barges for grain on the Don may be drawn either by animals or in groups by tugs. Shortage of railway engines in Russia is the

underlying cause of the crisis in transportation which holds the whole of Russia in its grip; there seem to be plenty of freight cars, hundreds of them being now used by families as dwelling places along the entire railway system. But, owing to the impossibility of obtaining spare parts, thousands of engines have been crippled to furnish repairs to the comparatively few now being used, and this process must continue unless some means is found to furnish the spare parts required to put the crippled engines in repair.

Under these circumstances the problem of transporting the grain which may be sent from outside Russia to the stricken district is a serious one and presents several phases: (1) The land haul must be the shortest possible haul, as a long haul will tie up all transportation; (2) the same engines will have to be used over and over again, and to do this will require (a) either a double-track system which does not exist in entirety, or (b) a loop such as that furnished by the two routes from Rostov to the Volga above described, one loop being used for the direct transportation of loaded trains and the other for the return of empties; (3) fuel is bound to be a vital problem, and the transportation will be correspondingly cheaper if the necessary fuel can be obtained locally, thus releasing engines, which would otherwise be required to haul fuel, for the transportation of the grain. This feature of the problem is also best served by the employment of Rostov as a base, since the proximity of the Donetz coal basin insures the provision of fuel; (4) the possibility of a water haul for reserve supplies not immediately required, by means of barges on the Don, is one to be taken into consideration. The cost of reshipment at Donskaya is not an important item, since with the cooperation of the Government labor from among the stricken population can be furnished for this purpose. It must be borne in mind, however, that this method of transportation is only open up to the date of freezing of the Don, about December 15. As the Volga also freezes at about this period, however, it is plain that all shipments of supplies for the winter must be completed before this date.

Questioned as to food situation in Volga district, an official reluctantly replied: "It is not the Volga alone. All Russia is starving." Neither the appearance of the people of Rostov nor the state of the fresh food market in Rostov bears this out. The refugees, of whom great numbers seem to be concentrated in Rostov, are without food; but the people of Rostov, while they have no visible surplus, are certainly not starving. The evidences of the effect of the blockade in depriving the people especially of clothing and of the means of repairing the ravages of war and of the cessation of industry since 1914 are plentiful. But as a general rule this does not seem to have produced despair or even discouragement. The famine is one problem, and a temporary one that can be handled as a temporary problem; the industrial and economic regeneration of the country is another problem entirely, and the two must not be confused. The economic blockade is slowly destroying such things as railways, irrigation plants, electric installations, cities with their buildings, etc., which it has taken years to build up. The disrepair is proceeding with geometric progression, and can not be halted without (a) materials not produced in Russia, and (b) an organization of a very extended character which will (1) make an inventory of what is required and the location of available materials and (2) mobilize both labor and material to accomplish the maximum of repair with the maximum of waste.

AUGUST 20, 1921.

The secretary of the commission and the interpreter waited upon Commissar Sadoff and secured an order to attach the commission's car to the regular Moscow train, which left at 10:26.

Refugees from the Volga district now began to appear at all stations and along the railway line. They climbed upon the cars and rode the bumpers and hung to the platforms, men, women, and children. They are not particularly emaciated in appearance, but are sadly off for clothing and evidently quite without possessions of any kind beyond a bundle easily carried containing a few rags of clothing and bread.

Novocherkavsk. Trainload of refugees passed. Wretched looking people with despair written all over their faces. Shakhtnaya. Coal-mine district of the Donetz basin. Mining is going on and coal begins to take the place of oil as fuel. At Likhaya a freight car on a siding contained a family of a man and his wife and three girls, evidently people of refinement and taste, living as so many of the peasants are living along the railway lines. Women of local villages sold soup, meat cakes, bread, milk, fruit, roast ducks, and roast pork to those on the train. A girl who had been riding on the bumpers bought a bowl of soup with meat in it and ate it greedily, paying with money from quite a store she had concealed in her clothing; yet she was without stockings or underwear and very dirty. At Glocobokaya an oil train was passed, with whole families camped on wooden platforms they had constructed on the rounded

tops of oil tank cars, while ragged women and children clung to the sides of the tanks. At Liski-on-Don a great many persons were camped in a warehouse along the track, but they proved to be refugees from the districts of Poland which had been occupied by the Germans during the early days of the war, now being repatriated owing to shortage of food in the districts where they had been staying.

North of Novocherkavsk, particularly, another aspect of the situation presents itself—the destruction not only of means of transportation but of everything else in the Donets coal and iron basin as a result of the civil war, when Denikin occupied the district around Rostoff and Tagenrog as his base and headquarters, respectively. Railway line where damaged has been temporarily restored with considerable skill and bridges have been repaired with wood where over the Donets, Tootzloff, Grooshevka, and other streams, they had been destroyed by Denikin's army before its retirement.

The whole Donets Basin to the west seems to be dead instead of one of the most active districts in Russia. At Zvierevo, the railway junction of the coal and iron lines with the main line, it is as dead as if there were no lines within hundreds of miles. Buildings are destroyed, machinery burned and smashed, coal cars burned until nothing is left but the metal framework, and the entire district so far as one can see laid waste. The temporary construction work in repairing railways and bridges is well done, but the materials seem to be lacking for permanent work, and the care that must be exercised in running trains over mended places is a source of constant traffic delays.

In general, the evidences remaining of the civil war of 1919-20 seem to indicate a very considerable damage to the resources of Russia and a savagery in the fighting which the current newspaper reports at the time did not reflect. On the whole, the Donets coal basin seems to have suffered considerably more than the similar basin in Belgium and Luxemburg, and while in the latter the Germans have been compelled to return or to furnish the machinery destroyed and to aid in putting the mines in operation again; in the Donets Basin nothing has been replaced and under present trade conditions it is unlikely that the mines can be put into operation again for some time. In comparison with the Donets field, the Saar Basin in Germany is undamaged.

It may be added that from all appearances, the railways serving the various mines in the Donets Basin will virtually have to be reconstructed before the field can regain its former production of between 25,000,000 and 30,000,000 tons per annum.

AUGUST 21, 1921.

Beyond Liski-on-Don the "Tchernoziom" or Black earth country begins, and cultivation is much more general and better. Also there is more effective policing of the trains and people are not allowed to ride on the tops of cars and to hang to platforms and steps as hitherto, though all platforms are pretty well crowded at that. Women at wayside stops selling all sorts of foodstuffs at extravagant prices are kept under control and made to stand back of a line where those on the trains can come to buy, instead of crowding along the sides of the train. There are, however, many peasant women who seem to be most prosperous, wearing good clothing of peasant type and even amber necklaces and other finery of value, who try to climb on the trains with huge baskets of supplies which they are trying to take to other towns to sell, speculating in food values. One old woman at Razdielnaya beat her little boy over the head with a box because he would not stand on the spring couplers and hold three baskets weighing about 80 pounds, while she clung to the steps of the train, to get into Vronejh where she could sell her products at a slightly higher price. A soldier interfered, rescued the boy, and gave the woman a lecture on her greed.

Refugees, on the other hand, camping along the track with neither money nor food nor work rail at the local peasants who fill the trains riding from town to town for a little extra profit, when there are starving people requiring transportation.

Vronejh is strikingly situated on a height above the Vronejh River. It is some distance from the main railway line and has to be reached by a Y from the main line. Numbers of refugees were camped about the station, but nothing like as many as at Rostov. Altogether, the country seems to increase in prosperity in the "Tchernoziom" country. A quarantined car said to contain cholera patients was added to the train immediately next to the commission's special car. Interpreter Connes reported sick, with temperature of slightly over 100°.

On the hoardings of Vronejh, as at Rostov, are hundreds of posters, drawings and pictorial warnings against cholera, exhorting the people not to drink unboiled water, not to eat unwashed fruit, to keep clean and to "swat the fly." Most of these are very striking and compelling; they are exceedingly graphic. One against cholera depicts a man drawing water from a stream; under his feet where he can not see it, a sewer is emptying into the water which he is drawing up. The water is labeled: "Death!" and the inscription on the poster is: "Don't drink unboiled water." These

graphic warnings are particularly effective with a population with which illiteracy is still very large.

Girls were selling at 1 cent each (1,000 rubles) copies of a newspaper called For the Volga People and devoted to an appeal for help for the starving of the Volga district, the proceeds of the sale to go to helping them also. Items in regard to the situation in the Volga famine district fill the paper, copy of which is appended hereto. "Those who know no hunger must understand the position of those who are starving." "To-day begins the Week of Help for the Hungry. To-day every man must do his bit. Help, citizens, laborers, peasants!" are printed in large letters. Together with articles pointing out that the city dwellers who have hitherto envied the peasants their control of the food supply are now appealed to by the peasants who are eating bread of millet seed and chalk and beetroot and sunflower seeds as well as of straw grass, chaff mixed with dirt and plain grass, the paper gives an account of last winter and this spring and the conditions which have led up to the present famine. It states that all last winter there was famine in the Volga district, that the peasants sold all their furniture and other belongings to weather the winter, that the people in the Volga country even then were living on chaff bread, but were not complaining because they hoped for the harvest this year to pull them through.

Then came the drought and burned everything to a crisp. The few places where there was a little rye, it was eaten by the grasshoppers and the pocket gophers, and now for the peasant there is nothing left. What reserve of money or possessions he may have had went in tiding over the winter. Now he has nothing left, the paper says, and makes a powerful appeal to the city dwellers who may have anything to share to share with the stricken people.

At Dryazghi a soldier stated quite unemotionally, merely as a fact, that in the villages of the eastern part of the Stamboff Government, 160 miles west of the Volga, 10 to 20 people were dying daily from starvation. The number of refugees began to increase, but appeared to be more systematically cared for. At Gryaza, it was stated that each station had a "linea agent" charged with looking after the refugees, and along the railroad several hundred families had been housed in box cars, though some were still camping in the fields or lying about the station grounds.

In the station at Gryaza also, as in almost every other station of any size, the first class waiting room had been turned into a club, the "Agit Punkt," where a library had been established, tables with cloths for tea, a piano, newspapers, and a screen for moving pictures. These centers are both social and political centers and are generally much frequented. On the walls are many posters, most of them excellently executed; some of a polemic political nature, but many of them also illustrating the dangers from flies, the precautions to take against cholera and tuberculosis, methods of cleanliness, etc. There are even posters of an educational nature, one in particular announcing an eclipse and explaining graphically just what an eclipse is. It is noteworthy that the educational posters seem more recent than the political ones, and that there appear to be no new political ones at all, unless posters calculated to convince city dwellers and peasants alike of their necessary interdependence one upon the other may be so regarded. There are also very fine mural paintings here and at Vronejh.

There are evidences of crops having been burned, especially potatoes; but the fields are plowed for the fall sowing, and the land is very generally under cultivation. There is nothing to lead one to suppose, however, that there is any surplus food supply at present on hand, except fruit and vegetables.

At Kozlov the extensive railway yards had numerous cars filled with refugee families and one entire train crowded with families in evident destitution. Numerous children begged bread along the commission's car.

At a conference of the commission a rough draft of a cable report was made as a basis for a message to be dispatched as soon as possible after arrival in Moscow.

AUGUST 22, 1921.

Ryazan. No evidence that the metallurgic works of Ryazan, formerly a flourishing business, are working. It was said at the station that lack of fuel is the cause of the shutdown of the mills. All evidences of refugees fleeing from famine district disappear. As Moscow approaches all organization better and appearance much more orderly. From Kolomna, pine forests begin and wooden datchae, as primitive and as unpretentious as country places in Russia have always been, and with the same careless, run-down appearance.

Moscow—Ryazansky-Kazansky Wachshall. Commission's car left in station yard. Commission in body, except Mr. Connes, whose illness seemed to have grown worse, went at once to the Kremlin to present Commissar Svanidze's letter to Commissar Enukidze, of the Vserasiky Centralne Ispolnikiy Kommitaet (G-1). Driving through the streets three things in particular struck the members of the commission: (1) The

fact that all larger shops and stores where goods formerly were bought and sold, are now closed, including the three great "riady," or arcades, east of the Red Square, formerly entirely filled with retail shops; (2) the more or less uniform appearance of the people, that is, dressed neither with luxury nor with great poverty, and though lacking many things in the way of clothing, neatly and simply dressed, all at about the same scale of living; (3) the generally contented look of the people, despite the fact evident at a glance that they are not and have not been for a long time well fed.

At the Spassky gate of the Kremlin a Red Guard courteously advised the members of the commission that the Kremlin could only be entered by the Troitsky Varota, from the Alexander Garden on the west. At this latter gate passes were required for all entering the Kremlin, even though employed there, and obtained on application at a little wooden booth at the left of the gate. Passes were issued to the commission without difficulty on exhibition of the mandate.

The office of the Ispolnitky Kommitaet is in the Little Palace and a new pass was necessary to enter here also. Commissar Enukidze was occupied with a committee meeting, but directed his secretary to arrange for the commission to see Commissar Kameneff, Chairman of the Moscow Soviet and head of the Russian Governmental Relief Committee, the following day at 13:00. The commission was directed also to the Anglo-American Bureau of the Commissariat for Foreign Affairs as the proper office to arrange for the admission of Mr. Connes to an hospital.

The commission, therefore, proceeded to the Metropol Hotel where the commissariat for foreign affairs is located and arranged to have a physician sent at once to examine Mr. Connes, and to have him removed to the Kremlin Hospital, which was done that evening. The Kremlin Hospital is reserved for the use of high employees of the soviet government, and is in charge of Dr. Canel, a woman physician.

The same evening two messages were prepared by the commission to be sent the following day, one to Mr. Hoover and the other to the Associated Press, giving an account of the observations of the commission to date.

These cablegrams read as follows:

WASHINGTON, D. C., August 22.

HERBERT HOOVER: We have completed first half investigation famine conditions in southeast Russia, which we began August 16 from Tiflis, proceeding Moscow via Baku, Petrovsk, Vladikavkas, Rostoff, Kozloff. We feel very strongly that we must put before you a phase of problem which does not appear on surface, but is of far-reaching potential importance. A vast immigration of peoples from the Volga Provinces has begun, which no mere authority seems able to or, in our estimation, can control. We have been credibly informed 300,000 have left Simbirsk and Samara governments. Saratoff become immense concentration camp, refugee families from upper Volga seeking escape from famine district. Having sold all their possessions and eaten their draft animals, literally millions under compulsion hunger are leaving their homes moving westward by every means transportation. Every train we have seen from Volga country all way from Petrovsk on Caspian at Vladikavkas in Gorsky Republic through Kuban and Don country to Kazloff in Tamboff Government, which is not even one of Volga Provinces, has been indescribably crowded with men, women, children, risking lives and voluntarily enduring incredible hardships of travel like cattle in packed boxcars and fighting like mad creatures to find places on roofs or trucks train to escape from famine district.

Along railways and in station inclosures thousands these refugees now encamped refused admission to towns and cities owing shortage in their own supplies and fear disease. Cast hordes thus being forced move on constantly without resources and with temptation ultimately to live off country. Government wrestling with this problem. Has appointed line agents all principal stations to house refugees well as may be and issued permits these people purchase food where can find any for sale. But in absence adequate food supply no merely restrictive measures can suffice. You are familiar with frightful consequences which followed disorganized return of soldiers Caucasus Army in 1918 as swept through country destroying as went. Whole western Russia to-day as well perhaps as neighboring nations now face with possibility repetition this disaster with all its sinister implications to civilization. To us this problem seems paramount and after serious consideration we submit that its solution lies only in finding effective method inducing fleeing families return to homes again take up cultivation when famine passed. All with whom we have talked state willing return if sufficient food furnished maintain life through winter and seed for spring planting. Between eight and ten millions so affected. Our investigation so far convinced us impossibility Russia supplying this need account grain shortage Don Kuban, Ukraine, and other districts which normally would supply deficit. Problem therefore appears to us twofold (1) to supply minimum amount foodstuffs, prevent creation immense refugee problem Russia which may spread to western Europe (2) so to localize what-

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ever food distribution undertaken as to compel return fleeing families to homes. Merely feeding children perforce concentrated for that purpose obviously will not touch either these problems even if neediest children can be found now with communities widely scattered. We therefore recommend that whatever relief instituted be localized as much as possible in stricken district and with this end in view we suggest Rostoff as principal base distribution with field base at Tsaritsin whence supplies may be shipped by Volga and subcenters distribution Saratoff, Simbirsk, Samara, Kazan.

From Rostoff, loop of two railways connects Tsaritsin Northern via Likhaya and Voljskaya, 340 miles Southern via Botaisk and Torgovaya 345 miles, one could be used for loaded cars other for returning empties running three trains 500 tons each daily. In addition, Don River could be used for barge carriage to Kalach-Donskaya, 45 miles by rail from Tsaritsin. In case of necessity Novorossisk available as supplementary base though facilities here not so good. Most important feature is speed, as Volga freezes mid-December, and sufficient food for winter must be delivered subcenters before that date if families are induced to return to and remain in their homes to put in crops next season. Principal handicap is shortage locomotives. If any locomotives Russian gauge are available in U. S. at least 30 should be shipped immediately, remaining American property. Any American personnel sent out must bring everything, especially medicines, whereof desperate need. Clothing also almost entirely lacking and suffering coming winter certain be terrible unless immense amount clothing, shoes, stockings, blankets, heavy underwear can be supplied. Scarcely necessary remind you that with millions lacking shoes, overcoats, blankets, presence well supplied Americans among people suffering from cold would have unfortunate effect, unless some provision made relieve worst cases clothing need. We expect proceed down Volga within few days, whence will report detailedly, but general lines herein covered probably sufficiently sound for your serious consideration.

A. A. JOHNSON.
FRANK CONNES.
E. A. YARROW.
PAXTON HIBBEN.
JOHN VORIS.

And to the Associated Press:

AUGUST 22.

Immediate action essential if relief 8,000,000 starving children Russia not arrive too late according Albert A. Johnson, Farmingdale, N. Y., chairman Near East Relief Commission which has been investigating conditions famine district. Commission arrived Moscow to-day consists E. A. Yarrow, Director General Near East Relief, Transcaucasia; Paxton Hibben, Indianapolis; John Voris, Near East Relief, New York; Frank Connes, interpreter, has been out touch United States America since August 16 when left Tiflis. First question members asked was whether negotiations Hoover's proposed relief had been concluded. "Thank God," said Johnson when informed Hoover mission already on way Russia. "Absolutely impossible Russia feed starving children Volga district because Kuban and Ukraine which would normally take care any lack foodstuffs stricken district are themselves suffering from shortage" Johnson declared. "This is second year famine Volga country. Last year other Russian wheat districts helped out. This year they can not. Last year Volga farmers lived on bread made of millet and chalk or grass mixed with earth wherefrom made bread paste. During winter forced sell household goods maintain life until harvest this year when hoped pull through. Well this summer whole southeast Russia upburned by drought. Army grasshoppers 10 miles wide swept from Novorossisk through grainbelt, destroying what little rye left. Population forced eat draft animals when harvest failed now have nothing. Saratoff become immense concentration camp refugees from upper Volga region seeking escape. Fifteen children dying daily Simbirsk, 20 Stamboff; approximately 300,000 people left homes in Simbirsk, Samara Provinces alone.

"We have seen trainloads refugees with tops cars packed, people, children, riding bumpers, women, babies in arms lying along runningboards, engines next boilers, or lashed brakebeams, fleeing from rattrap stricken district. They fight to get on trains like mad folk. Local authorities wholly unable check this exodus while central Government doing all can to facilitate escape famine bound population well as prevent spread cholera through scattering refugees to uninfected districts. Everywhere we saw hoardings covering graphic pictorial warnings designed be understood even by illiterate illustrating care which must taken to avoid epidemic cholera. Far south as Baku we saw trainloads famine sufferers arriving, shipped thither by Government in hope finding them work in oil fields. Through whole Gorsky Republic north of Caucasus and Kuban country we saw thousands refugees camped in vast

helpless colonies or living in box cars along railway lacking clothing well as food. Local communities faced by own shortage foodstuffs refuse permit these refugees enter cities, town, and they move on endlessly from place place without hope or help, dying by roadside or through weakness falling from trains at night. These migrations so widespread and general it is impossible say whether even frontiers Russia will restrain westward moving hunger driven cholera infested hordes unless relief speedily furnished."

HIBBEN.

AUGUST 23, 1921.

Called upon Gregory Weinstein, head of the Anglo-American bureau of the Commissariat for foreign affairs in a body and explained to him the purpose and the desire of the commission. Mr. Weinstein seemed a little confused as to the relationship between the Russian commission of the Near East relief and the commission of the American Relief Administration, then in Riga and expected in Moscow about August 27. A request was made of Mr. Weinstein for interviews for the commission with Commissars Lenin, Chicherin, Krassin, and Osinsky. Mr. Weinstein replied that Commissar Lenin was then resting at a country place outside the city, and that Commissar for Agriculture Osinsky was also ill, in Germany; but that the other interviews would be arranged for.

At 13, the commission accompanied by Mr. Guy, an interpreter furnished by the Commissariat for Foreign Affairs, called upon Commissar Kameneff, of the Moscow Soviet.

A short man, active, eager, quick and exceedingly intelligent, Mr. Kameneff displayed very deep interest in the purpose of the commission, and gave a full statement of the needs of Russia and conditions in the famine area, answering all questions put to him by members of the commission with all possible candor. So important did he consider the conference that he disconnected his telephone and gave orders that he was to be disturbed under no circumstances while the conference continued. The two cables prepared by the commission were submitted to him, and met his full approval, he writing his "okeh" on each of them and retaining them to be dispatched by soviet wireless.

At the close of the conference, which lasted an hour and a half, the main points covered were embodied in a dispatch to the Associated Press, as follows:

AUGUST 23.

"Only way save Russia from impending disaster famine this winter is to take grain from hungry to give to starving," Kameneff told Near East Relief Commission this afternoon. "Our problem vastly more far-reaching than feeding 1,000,000 children. 'Tis question conserving productivity vast district which has been granary Europe and whose productivity once lost will be loss whole Europe. Problem is simple question figures anyone can work out. Before war 35,000,000 acres in Russia were planted in grain; last year only 17,500,000 planted. This year, when drought destroyed crop Volga region, this very shortage made difference between Russia being able tide over crisis with own resources and present famine conditions. Now, unless this minimum acreage can be planted this fall, you can readily understand next year will see Russia's grain-producing districts largely barren waste. To plant this minimum acreage requires 270,000 tons seed grain, whereof Russia can furnish 162,000 tons, this means 40 per cent minimum acreage will remain unsown for lack seed grain. That is only 30 per cent of Russia's prewar acreage will be producing. But that, of course, isn't all. Though seed must be planted before September 15, if there is to be crop at all next season, 'tis obvious that even then problem unsolved for there must be farmers to harvest grain and they must be able remain where grain is to be harvested until harvest time.

This they can not do without food and 'tis evident from fact that they have been living Volga country in great numbers since famine started that they will not can not remain 'thout food. Now, at rate about 12 ounces bread per day ~~can remain 1200~~ tons grain covering 10 months from 1st October to next furnish only one-fourth, leaving 945,000 tons shortage. So ole minimum acreage were to be planted, unless food surth thereof would ever likely be harvested, because main on job to gather grain next summer. In face this Government can do, that is to gamble on hope out food grain from all farmers throughout Russia and use If we don't do that, 'tis obvious that next year will ne, owing lack sufficient seed grain planted this fall.

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On other hand, if we do, famine this winter is apt slaughter not only those now suffering from hunger but also those whose grain must be taken for seed as well. With some 250 shiploads, 5,000-ton vessels, this whole problem can be solved. Without this outside aid God only knows what will come. That's our problem in nutshell.

"But could you transport so much grain to famine district if you had it?" asked Chairman Johnson, of Near East Relief Commission. "We've plenty box cars," Kameneff replied, "But without locomotives we can do little to move supplies. Former government ordered some 300 locomotives, Russian gauge, in United States of America and we believe most these still there somewhere. We have tried secure them but without success. If these could now obtained, it would be half our problems solved. Of course, that's business, not charity," he added. "We immensely grateful for America's generous offer help for starving children. But for regeneration Russia we expect pay our way. Our handicap hitherto has been that we could not buy."

HIBBEN.

It was evident from what Commissar Kameneff told the commission that the problem preoccupying the soviet government was not the incidental one of feeding any number of children for them to die in the spring or next summer or next winter of hunger under famine conditions similar to those now existing, but the fundamental problem of so reorganizing both cultivation and transportation as to minimize the possibility of another grain shortage next year, while at the same time assuring a sufficient harvest in 1922 from grain planted in the fall of this year and the spring of next to look after the seeding problem of the fall of 1922 and the spring of 1923 as well as the feeding of the farming population through the winter of 1922-23. The entire attention of the soviet government is directed to curative not ameliorative measures; they are unwilling to substitute an appearance of efficiency through cheap and easy palliative methods for a really effective handling of the problem in a fundamental way. Mere relief, as such, does not interest them; they are concerned with securing some sort of real aid to production of what they need, in Russia, not its importation from elsewhere. Commissar Kameneff told the commission that the soviet government had great hopes that the International Committee of the Red Cross of which F. Nansen is the head, would be able to assist Russia to obtain a loan, fully secured, with the proceeds of which Russian agriculture and industry could be put on a self-supporting basis.

AUGUST 24, 1921.

At 1 Capt. Yarrow and Capt. Hibben went to the Anglo-American Bureau of the Commissariat for Foreign Affairs, during the morning office hours of the Commissariat from 1 to 4, and filed the cable to the Associated Press reporting the interview with Commissar Kameneff. At the same time they had a frank talk with Mr. Weinstein, explaining to him the work of the Near East Relief in detail and the desires of the commission. At his request the following letter was written him embodying the information which the Commissariat for Foreign Affairs desired.

SPECIAL CAR CYVERO-DONETZKAYA No. 1,
Moscow, August 24, 1921.

DEAR MR. WEINSTEIN: For your fuller information in regard to the Near East Relief Commission, of which I am secretary, I beg to place the following at your disposal:

The Near East Relief is a nonpolitical, nonsectarian relief organization incorporated by act of Congress of the United States, which has been operating as a philanthropic organization in Transcaucasia, Turkey, Persia, Syria, and Mesopotamia since October, 1915. Its purpose is (1) to feed, house, clothe, and care for the orphan children in these areas left homeless by the war; (2) as far as possible with the means at its command to give general relief to women and the sick in the same areas.

The funds of the Near East Relief are raised in the United States and Canada by an appeal to popular subscription. They have reached for several years now the figure of about \$14,000,000 annually in cash, supplies, secondhand clothing, and medical supplies.

At one period—from September, 1919, to July 1, 1920—the Near East Relief worked in conjunction with the American Relief Administration, distributing flour furnished by the American Relief Administration; but at that time not only the cost of distribution but the personnel administering the distribution belonged to the Near East Relief, not to the American Relief Administration; the latter merely furnished the flour. At that period in Transcaucasia over 500,000 people were being fed by or through the Near East Relief. At present some 25,000 orphan children are dependent upon it in Transcaucasia.

E. A. Yarrow, the treasurer of this commission, is the director general of the Near East Relief in Transcaucasia. Charles V. Vickrey is the general secretary of the Near East Relief in the United States. John R. Voris, one of the members of this commission, is associate general secretary of the Near East Relief in the United States. He is remaining in Moscow to look after Frank Connes, another member of this commission, who is ill in the Kremlin Hospital. Mr. Voris represents, and will represent during his stay in Moscow, the American office of the Near East Relief, 151 Fifth Avenue, New York City, of which he is one of the executives.

The commission.—On August 2, 1921, a party of some 25 Americans, all associated in one capacity or another with the work of the Near East Relief, and representing virtually every section of the United States, arrived in Batum to inspect the work of the Near East Relief in Transcaucasia. At this time a cablegram had been received from the New York office of the Near East Relief announcing that Secretary of Commerce Herbert Hoover, head of the American Relief Administration, had proposed to Russia to undertake a relief work in Russia in connection with the reported famine in the Volga district. It was not known by the Near East Relief party at the time what nature or extent this work would assume, but it was the unanimous sentiment of the party that the Near East Relief, whose organization in the United States is the largest permanent organization for philanthropic purposes next to the American Red Cross, should cooperate to the fullest with any relief work which might be undertaken either by the American Government, officially or unofficially, or any other American agency, for the people of Russia.

As it was felt that dependable facts as to the actual conditions in the Volga region were lacking, and that the success of any such relief work as was contemplated must depend to a very large measure on the proper presentation of facts about existing conditions in Russia, it was decided by the American party not to wait for any decision to be reached between the Russian Government and Mr. Hoover, but to send a commission at once to Russia to study the actual conditions in the Volga country, to formulate a report thereon, and then to present this report either to Mr. Hoover or to any other American agency which might undertake the relief work in Russia; or, in the event that by the time the commission had completed its labors, no agency had been fixed upon to carry on relief work in Russia, to present the conclusions of the commission direct to the American people and to urge that relief work in Russia be undertaken.

With this in view, the following commission was formed, and through the commissar for foreign affairs of the Socialist Soviet Republic of Georgia, Alexander Svanidze, permission was asked of the Russian Government for the commission to proceed to Russia for the purpose stated. The commission consists of:

Albert A. Johnson, chairman, director of the New York State Institute of Applied Agriculture.

Paxton Hibben, secretary, writer, economist, journalist, author of "Who is Wrangel?" in The New Republic of August 25, 1920, "Russia at peace," in The Nation of January 26, 1921; "Exit Georgia" in The Nation of March 30, 1921, and other articles on Soviet Russia.

E. A. Yarrow, treasurer, director general of the Near East Relief in Transcaucasia since July 1, 1920, when he succeeded Col. Haskell.

John R. Voris, associate general secretary of the Near East Relief, 151 Fifth Avenue, New York City.

Frank Connes, interpreter of the commission, official interpreter of the Supreme Court of the State of New York.

The commission was furnished with a special car by the government of the Socialist Soviet Republic of Georgia, and left Tiflis on August 16, 1921, proceeding to Baku, Petrovsk, Kavkaskaya, Rostoff, Kozloff, and Moscow, arriving on Monday, August 22, 1921. The commission presented a letter which it bore from Commissar Svanidze to Mr. Enukidze, who referred the commission to Mr. Weinstein.

In conformance with its purpose to advise the American people of conditions in Russia, the commission on its arrival addressed a lengthy cablegram to Mr. Hoover reporting the information it had secured and its recommendation, which cablegram was referred to Mr. Kameneff, to be sent through him.

It should be stated that before proceeding to Russia the commission sent a cablegram to Mr. Hoover in the United States advising him of what it proposed to do and requesting him, if he desired to do so, to send any instructions he might wish to give the commission to it at Moscow. At the same time, Mr. Vickrey, general secretary of the Near East Relief, also cabled to Mr. Hoover in the same sense. No reply to this message has been received by the commission.

Carrying out the purpose for which it was formed, the commission now desires—

1. An opportunity to talk briefly with Messrs. Chicherin and Krassin about conditions in Russia.

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2. An opportunity through one of its members to have about five minutes' conversation with Mr. Lenin.

3. An order upon the railway authorities directing them to transport the special car of the commission over the following route, starting not later than Friday morning August 26:

(a) Moscow, Ryazan, Samara; (b) Samara, Kuznetzk, Penza; (c) Penza, Tavolzhanka, Balashoff, Povorino, Tsaritsin; (d) Tsaritsin, Tikhoretskaya, Armavir, Petrovsk, Baku, Tiflis. It is the desire of the commission that this journey be effected as speedy as possible, and it may be readily understood that it is distinctly to the advantage of the Government of Russia that the report of the commission be presented to the American public as speedily as possible.

4. The commission also desires that some representative of the Russian Government able to speak English, French, or German accompany it on this journey. Mr. Yarrow would be glad to have this representative return with the commission to Transcaucasia where he would show the representative the actual work of the Near East Relief in Transcaucasia, so that he might report on the same to the Russian Government.

5. The commission would be glad also if some arrangement could be made by which press cablegrams sent with the sanction of the commission from points on the Volga during its journey of inspection could be sent in to Mr. Weinstein to be forwarded by him.

The commission desires to express its deep appreciation of the courtesy so extended to it by the authorities of the Soviet Governments of Georgia and Russia and the entire frankness with which it has been received by those authorities.

PAXTON HIBBEN,
Secretary of the Commission.

At 19, by appointment, the commission waited upon Commissar Chicherin at the Commissariat for Foreign Affairs in the Hotel Metropol. A slight man, mild of manner and soft spoken, with a sparse red beard and marked shyness in his attitude, Chicherin was exceedingly direct. He held the letter above quoted in his hand when the commission entered and at once asked a few questions calculated to clear up in his own mind the position of the commission in relation to the Hoover party expected in Moscow August 27. He then took up one by one the requests of the commission and stated that all save number two would be accorded at once.

In regard to the desired interview between Capt. Hibben, representing the commission, and Commissar Nikolai Lenin, Chicherin stated that it would be very difficult to arrange, as Lenin was then resting at a country place near Moscow, and that when Lenin rested he rested. To this Capt. Hibben replied that Commissar Kameneff had said that he saw Lenin every evening and that he, Kameneff, strongly approved the idea of obtaining a statement from Lenin. He urged the value of such a statement at the present juncture and stated that it was the idea of the commission to leave Commissar Lenin entirely free to make any statement he might care to on any head he saw fit. Chicherin finally declared that he also was convinced of the value of such a statement and promised to take the matter up with Commissar Lenin in writing. The commission gained the impression, however, that Commissar Lenin's illness was coincident with the expected arrival of a number of newspaper correspondents in Moscow, and that the rule that he would see no one was intended to shield him from receiving these newspaper men.

It was evident at once that Commissar Chicherin regarded the beginning of American relief work in Russia as merely a step to closer relations between the United States and Russia in general. He spoke repeatedly of the "wall of calumny" which had been built about Russia by the foreign press and of the desire of the Russian Soviet Government that all who desired to do so come to Russia and satisfy themselves as to conditions and as to the stability of the Government.

"You are free to go anywhere you like in Russia, and to see anything you want to see," he declared. "There are no restrictions on anyone's movements in Russia. Take all the photographs you like, talk to all the people you want to talk to. Your movements are entirely uncontrolled—indeed, you will find that very few people will bother their heads about where you go or what you do. We have nothing to hide. On the contrary, we want you and intelligent men like you to see the whole situation in Russia and to understand it."

In respect of famine conditions in Russia and the matter of American aid, the opinions expressed by Commissar Chicherin were embodied in the following cable to the Associated Press, New York:

AUGUST 24.

Expectation of soviet government that activities Hoover's relief organization in Russian famine district will lead to "resumption friendly relations between United States and Russia" was voiced by Chicherin in conference with Near East Relief

Commission here to-day. Government officials busy trying find out who Haskell is, and preparing receive first installment Hoover workers due latter part week, while Tverskaya, once principal retail business street Moscow, newly plastered fresh posters in English, French, German, Italian, Scandinavian, Russian calling on "workers of world unite" and "abolish international frontiers," and announcing "red Moscow the heart of the world revolution." "In addition to its humanitarian side and salvation it will bring to million children doomed to die of starvation without outside aid, American relief work in Russia will furnish opportunity to break down wall calumny so long estranged friendly peoples," Chicherin told Near East Commission. "Intelligent, serious-minded class Americans coming into country as relief workers, traveling all over, seeing what's going on with own eyes will able to judge for themselves as to truth or falsity stories spread about Russia. They will see as, you have seen, that corpses aren't hanging about streets Moscow, nor are there any starving people eating dead bodies here, as some accounts would have Americans believe. Work of feeding the starving is a very American thing, but 'tis no more American than being fair-minded. Contacts with all kinds Russians all over Russia formed by Americans on relief work will normally, without any effort on our part, dispel cloud calumny about Russia which gathered during years our enforced isolation."

Paxton Hibben, member Near East Relief Commission, to-day placed wreath grave John Reed, American communist, buried outside Kremlin Wall.

The secretary of the commission took this dispatch to Mr. Weinstein's office at 1 the following morning to be sent by wireless. He was informed that all previous messages had already been dispatched.

AUGUST 25, 1921.

At 14, by appointment, the commission waited upon Leonid Krassin, commissar of foreign trade, at Iliinka 12. Krassin was the representative of the soviet government who negotiated the Russian trade agreement of March 16, 1921. A small, quick man, with a graying, pointed beard, Krassin was quite frank in all his answers. He spoke English, not fluently, but sufficiently to be able to say anything he wanted to say.

"I didn't know a work of English when I went to England," he said. "But I had a splendid teacher," he added.

Asked who his teacher was, he chuckled and said: "Lloyd-George."

The mission of the commission was explained.

"The beet relief of Russia would be to help us get to work," he said. "At first, after the revolution, it was very difficult indeed to organize anything in Russia. But now it is evident that the people mean to work and want to work. What they lack is the means of production. You do not understand that in America. You suffered very little from the war, and I am afraid you do not understand how much some of the rest of us suffered, especially we in Russia. The other allied nations were able to secure from each other and from the United States what they required for reconstruction. But after the war, in Russia there was one civil war after another, and no chance at all for us to get on our feet again. Even if we had been able to undertake a vast work of reconstruction while we were waging half a dozen little wars with Kolchak and Yudenich and Denikin and the Poles and Wrangel and the rest, the blockade would have made it impossible.

"So things in Russia just went from bad to worse. In America, you blame it all on the revolution. But you overlook entirely the fearful drain the war was on the assets of Russia—all the man power lost, all the destruction of the means of production and transportation. Russia to-day is like the South of the United States after your Civil War, when Sherman had got through his march to the sea. But the South had its regeneration." Krassin picked up a volume from his desk and held it out. It was Lippincott's Economic Development of the United States. "Russia will have her regeneration, too, and right away. In five to seven years, it will be complete. The people of Russia are ready and eager to work. But they have lacked food, clothing, tools, machinery, transportation—everything to work with that the war destroyed and that, owing to the civil war and the blockade, we have not yet been able to replace.

"These things had to be found for the Russian people—and we had to find them where we could. We should have liked very much to buy what we needed in America for example. We tried to. We did buy a few things—\$4,000,000 or \$5,000,000 worth—shoe-making machinery, coal, binding twine, and so on, to be sent in by way of Novorossisk. But of course there were political difficulties in the way of trade with America so we had to buy our supplies elsewhere. And we are buying them. Our imports through Riga, Reval, and Libau alone for the first six months of this year have been: January, 13,320 tons; February, 28,800 tons; March, 10,500 tons; April, 37,800 tons; May, 61,200 tons; June, 50,400 tons—a total for the six months through the Baltic ports of

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over 205,000 tons of goods. Right now, there are 100 ships in Petrograd discharging cargo—mostly railway supplies."

Asked how Russia could continue to pay for supplies from abroad when nothing is being produced in Russia to exchange for these supplies, Krassin replied:

"We can not of course keep on paying for supplies from abroad without some sort of credit. We have great hopes of the International Relief Commission that Fridtjof Nansen is heading. We need a billion tons of supplies, and to transport these supplies when they do arrive, we need a great deal of coal which we are now getting from England but which, during the lockout in England, we got from the United States. Our foreign purchases were at first made on a cash basis, but we have recently bought herrings in England on terms of 20 per cent down and the remainder in four years. In Sweden we are buying on 18 months' credit. Trade relations, you see, are reopening with other countries, and with that fact dawns a new era of reconstruction in Russia. If the present famine conditions in Russia serve to direct the world's attention to the possibilities of the economic regeneration of Russia, the suffering the famine has brought will not be in vain. Saving the children is a great work, but unless economic Russia can also be saved to the world, as a whole, a great opportunity will have been lost. The Near East Relief in its work in Transcaucasia is on the right track—it is not only saving children from starvation but training them in modern industrial and agricultural methods and creating through them a new generation equipped to work out the country's salvation.

"Aid that does not increase production is merely temporary. The truest relief of Russia is to enable the Russian people to obtain the tools to work with—and that's what we are trying to do with our purchases abroad. With these tools, the Russian people can and will produce the articles to exchange for more tools. Already we are just beginning to export the simpler things that are being got out with the tools we have received so far—timber and flax and things of that sort. The rest will come along as the tools come in. Russia is like a man with a gold mine, but no tools to work it—he has to trade a share in his mine to get a pick and a shovel. Well, we are doing just that.

"We are ready, for example, to barter agricultural concessions for the farming implements to cultivate the rest of the 300,000,000 acres of farm land in European Russia alone. We are eager to give concessions for the raising of beets for beet sugar and the making of sugar, and in return we should like to have tractors. We have between 500 and 600 tractors now working on the national land, but we must have more—thousands more. Our need for agricultural machinery is practically limitless—and not only tractors, but plows, harrows, cultivators, reapers, binders, threshing machinery—everything. You make these things very well in America. We are very content with the Cleveland tractors we have. We should like more. But we are getting our new ones from Sweden.

"What we need right now most desperately is seed grain. We require 15,000,000 poods (270,000 tons) of seed, and we have made arrangement to get 2,000,000 poods (36,000 tons) in Sweden and the Baltic States. The remainder we shall have to get here in Russia by requisitioning it in those districts of Russia where there is still a small surplus kept for food. This will have to come mostly from Siberia, Turkestan, and the Ukraine, as both the Kuban and the Don countries have suffered very severely from the recent civil war and besides had a drought last year. We are prepared to requisition this grain for seed wherever we can find it, realizing perfectly that unless food is found for the people who give up their grain for seed purposes, they will be as badly off before the end of winter as those from the famine district. It is a sort of sink-or-swim gamble for all of us that we must take if next year is not to be a repetition of this year. Each year we are cultivating less and less land. This was at first due to war conditions, shortage of men, and occupation of a large part of the land by warring armies; since then it has grown less and less because while the amount of food consumed is fixed it is the seed grain that has been reduced each year with a consequent reduction of land sown.

"The only way to reestablish the equilibrium now is to get grain from outside to plant a sufficient acreage to get back to normal. In Russia we grow about 1,440 pounds of grain per hectare, while in Germany, for example, they grow 7,200 pounds. Yet the Russian peasant works as hard or harder than the German peasant. What makes the difference in production is modern machinery.

"It is a question of education of the Russian peasant to the use of modern machinery and to improved farming methods. The army has done a great deal to familiarize the men all over Russia with machinery, and is still doing a great deal to that end. Men in the army learned how to use machinery, and they go back to their farms with that knowledge. But it is of no use to them unless they can get the machinery to work with. We are using tractors for the first time on many of the former large private

estates to demonstrate their use to the farmers in general, and what other tractors and agricultural machinery we have is being sent out to the communes for communal use. But it is not enough, and the advantage gained by the war experience of the men will be lost unless we can get in farm machinery promptly.

"Our other great problem is that of transportation. Even if we had now supplies for all of Russia, it would take us months to distribute them on account of the lack of locomotives and other transportation means. All the automobiles and trucks that you will see throughout Russia are the mere patchwork of motors made of parts taken from scores of others to fix up a few so that they will run. Our railway engines are in the same case. A long time ago I tried to get some locomotives in the United States—100 had been ordered there; but their export was not permitted, so we had to get them in Sweden and Germany. Delivery of these begins in about a month."

Asked if he had had any difficulty in doing business with American manufacturers, Krassin said:

"Private merchants and manufacturers in the United States have been eager to do business with us and to take our orders. It is the Government which has stepped in and prevented Russia doing a considerable American business."

Asked if he had not experienced difficulty in doing business with American firms on account of their feeling that Russia could not pay for goods ordered, Krassin replied:

"The Swedes, the Germans, and the British, with whom we have placed the orders we tried to place in the United States, are not giving us the goods we have ordered from them.

"You in America should understand Russia and the immense resources of Russia even better than any of the Europeans, because Russia and the United States are so very like one another in so many ways—physically, economically, and in point of material wealth. Our development has scarcely begun, while yours has been going on for several generations. If you will consider what has been done in the United States in the past 30 years, you can have an idea of what Russia is capable of. We even have our Canada in the shape of Siberia. It is the rest of the world that is the poorer for the blockade and isolation of Russia."

Following the commission's interview with Krassin, the following cablegram was sent, embodying in part the views of the soviet commissar for foreign trade:

AUGUST 25.

NEAREAST, New York.

For publicity. Neareast commission arrived Moscow Monday after trip through Kuban and Don Wheat country, whereupon Russia would normally depend to help inhabitants Volga provinces. There is no surplus wherewith famine sufferers can be succored. According Kameneff, who is head Russian relief organization cooperating with Hoover, Russia to-day short almost 1,000,000 tons foodstuffs if 20,000,000 inhabitants of famine district are to have even 12 ounces bread daily until next harvest. Under these circumstances merely feeding 1,000,000 children through one winter solves nothing. Krassin told Neareast commission to-day, "Best relief of Russia would be to help us get to work. At first, after revolution, it was difficult to organize anything. But now it is evident people mean to work. What they lack is means of production. What has been the matter is the people of Russia have lacked food, clothing, machinery, tools, means of transport—everything was used up during war. You forget how fearful the drain of war was on the assets of Russia. But with the reopening of trade relations with other countries new era of reconstruction dawns. If famine directs world's attention to possibilities in economic regeneration, Russia, suffering as it has, brought Russian people will not be in vain. Saving children is great work, but unless economic Russia as a whole can also be saved to the world a great opportunity has been lost. Neareast relief in its work in Transcaucasia is on the right track. It's not only saving children from starvation, but training them in modern industrial and agricultural methods and creating through them a new generation equipped to work out country's salvation."

NEAREAST RELIEF ASSOCIATION.

AUGUST 26, 1921.

Members of the commission searched Moscow for wall maps of Russia, finally finding two old ones of 1 to 2,520,000. Modern administrative maps and other printed matter seem to be difficult to obtain, on account of shortage of paper. The soviet government issues as part of its ration to workers one-fourth pound tobacco or 200 cigarettes per month. Most of them prefer to take the tobacco and to make their own cigarettes; but as there is no cigarette paper, they are forced to use newspaper or anything else

that can be found. There is a great sale of used copy paper from old letter press copying books for this purpose.

The commissioner visited Mr. Connes, in the Kremlin Hospital, finding him much improved and very well cared for.

At 20.30 the commission called upon Prof. George Lomanosoff, head of the soviet mission for the purchase of railway supplies abroad, at his home in the Gorckhovskaya, near the Koursky Station.

Prof. Lomanosoff is a member of the faculty of the Institute of Railway Engineers. During the last months of the Tsarist period, when traffic throughout Russia had become so badly confused owing to the war demands on the railways that both Moscow and Petrograd were days without food, Prof. Lomanosoff was made director of railways for the Empire and charged with clearing the jam which had accumulated on practically all lines. He effected this successfully, and under the Kerensky régime was continued as director of railways and sent to the United States on a mission to purchase locomotives and other railway supplies. Since the October revolution, Prof. Lomanosoff has been made head of the Soviet Mission for the Purchase of Railway Supplies Abroad, with headquarters in Stockholm, but shortly to move to Berlin.

Acquainted with the purpose of the commission in coming to Russia, Prof. Lomanosoff said:

"The transportation problem in Russia to-day is twofold—fuel and locomotives. First one is paramount, then the other. A short time ago and even still, to a certain extent, the problem was locomotives. To-day, however, it is fuel. At this moment we have 1,750 locomotives idle for lack of fuel—and every locomotive needed every minute. It is disheartening."

Stepping to a large map, Prof. Lomanosoff indicated a line running roughly north and south, Petrograd-Tver-Moscow-Ryazan-Voronezh-Novocherkavsk.

"To the west of this line," he said, "are the coal-using railways of Russia, normally. North of the Gomel-Kaluga-Moscow-Nizhny Novgorod line, wood is also burned, both east and west of the Petrograd-Moscow-Novocherkavsk line. Wood is also burned normally northeast of the Nizhny Novgorod-Kazan-Samara line. Below this and to the east of the Petrograd-Moscow-Novocherkavsk line is the mazoot (oil residue) burning territory normally. All of this division of fuel into territory is carefully balanced to waste the least possible effort in hauling fuel to its point of consumption. But when there is a shortage of one kind of fuel, for one reason or another, the remaining two districts can absorb, temporarily at least, part of the territory of the one district in which there may be a shortage—the system is flexible, you see."

"But obviously this depends entirely upon the number of locomotives burning a given kind of fuel we have at our disposal. For example, there may be, as there now is, a shortage of coal. Normally the southern part of the coal-burning territory would be absorbed by the oil-burning territory and the northern part by the wood-burning territory, and there would be no difficulty. This has happened already several times. But now it does not work out that way for the reason that we have not the extra oil-burning locomotives and wood-burning locomotives to take care of the extra work imposed by the coal shortage. So that we might have enough mazoot for the whole railway system of Russia—which we haven't—and still have hundreds of idle coal-burning locomotives, while Russia would be suffering from lack of transportation because there were not enough mazoot-burning locomotives to take up the slack."

"That is the reason why we have been buying coal abroad and having it shipped in through Petrograd, at the other end of Russia from the Donets coal mines, so as to save hauling the little coal we have that distance before being able to use it."

Asked why Russia should have to buy any coal at all when the Donets coal basin produced normally between 25,000,000 and 30,000,000 tons, Prof. Lomanosoff replied:

"You forget that we have had a civil war going on in Russia for the past three years, and that a good deal of it was fought in, around, and over the Donets coal basin. A large number of the coal and iron mines of the Donets were formerly French properties, which accounts for the support which the French gave to various counter revolutionary enterprises directed against that particular district. It may account also for the fact that before he finally gave up Denikin blew up or flooded every single mine, destroyed all the machinery, tore up all the railway tracks, dynamited the bridges, and generally put the Donets Basin out of business. At Chir, between Rostoff and Tzaritsin, Denikin blew up one of the biggest railway bridges in Russia, and then ran 20 locomotives off the bridge into the river, in an effort to tie up the traffic on the Don. On the double-track line between Rostoff and Piatgorsk, as he retreated he used one track to retire and accumulated some 300,000 wooden freight cars on the other track, and then set them afire. I have photographs of all this destruction which I sent to the United States for publication, to give the Americans an idea

of what had taken place in Russia—worse than anything in the way of destruction the Germans did in Belgium. But so far as I know, these photographs were never published by any newspaper or periodical in America. You ask the question, naturally enough, because you do not know what did happen here in Russia during our late civil war; and you do not know because your press would not publish the truth of what happened, even when it was furnished to your newspapers."

Prof. Lomanosoff was assured that the commission had come to Moscow through the Donets district, and that it had seen a great deal of the destruction, including burned bridges and burned railway cars.

"In a radius of about 200 miles west and south of Tzaritsin everything was destroyed by Denikin," Prof. Lomanosoff continued. "Getting the coal and iron mines back into shape requires machinery, and machinery is one of the things that we want most in this country and have not been able to get."

"The same is true of the oil wells of Baku, which were once the second largest oil wells of the world. To-day the production is almost nothing, because the wells have been so damaged and so badly used during the war that new machinery is required throughout, and this new machinery we have not been able to obtain. So that you see that instead of having a shortage in one field only of our three fields of railway fuel we have a shortage in two fields—coal and oil. Our oil now comes largely from Grosnaya, which is an oil field not very extensively developed as yet."

"However, the crisis in our transportation system is really passed, for we have been able to mend, temporarily at least, the destroyed bridges, replace the burned water-tanks, renew the telegraph lines, and replace the rails which Denikin had torn up. The crisis was in 1919, when both oil fields and coal fields were in Denikin's hands. Now all we have to do is to get abroad the material we require and get it in: in 1919 we not only had to do that also, but we had to defeat an enemy before we could do it."

"As far as locomotives are concerned we are no better off actually than we were in 1919: but we have 1,700 locomotives on the way and that is a great deal."

Asked whether these locomotives had been ordered in the United States, Prof. Lomanosoff replied:

"Unhappily, no. I took my orders to the United States first of all. I wanted very much to get our locomotives there. But for political reasons we could not be sure of delivery, so I had to place our orders in Sweden, Germany, and England instead. Eighteen of the new Swedish locomotives, of which 50 are to be ready this year and 250 each year thereafter for four years, are now completed, there are also ready for delivery 17 of the German locomotives that we might have ordered in the United States, of which we are to get 700 by the end of February, 1922. We also tried to get some big oil-tank cars in the United States; but we finally had to place our orders for 1,500 of them in Canada and England. Eighty thousand tons of rails that I wanted to buy in Pittsburgh, I finally got from Germany, as well as half a million boiler tubes and 40,000 locomotive tires. The same is true of a lot of smaller spare parts to fix up the locomotives we now have, that we are getting in Germany and England, now—and 2,000 tons of copper, steel, tin, etc. It's too bad. I like to do business with Americans. But business is business, and when politics get mixed up with business, it's no use. We are all inclined to favor Sweden in every way we can, here, because Sweden was the first nation to do business with Russia after the revolution."

"The situation in Russia to-day is very easy to sum up. It is this: No food, no work; no work, no locomotives; no locomotives, no food. And there you are. Whenever the workers get enough to eat, they work well and satisfactorily; wherever they do not get enough to eat, production falls off and the work goes to pieces. It is open and shut. The rebuilding of Russia depends upon food—but food in Russia depends largely upon the transportation system. So you see how we are fixed. We can not get the workers to build locomotives, make rails, or dig coal on 9,000 roubles a month and 14 ounces of bread per day, especially when the butter to go on the bread sells for 18,000 roubles a pound—just twice a workingman's monthly wage, as things have been. On the other hand, unless we get the coal, the locomotives, and the rails we can never in the world get food to the men who must dig the coal, build the locomotives, and make the rails. It is a vicious circle."

"In a situation like this there is just one thing to do. It is like a stalled engine. You have got to get some force from without to move the wheel off its dead center. That force from without is the railway machinery and the coal that we are buying abroad. The peasants and the workers are eager to get to work when they are sufficiently fed, and their work under those conditions is first class. But now when all we can get to the workers is a pound (14 ounces) of bread per day and half that to the worker's family, it is not enough. And to the peasant from whom this bread ultimately comes it is impossible to get the clothes, agricultural machinery, and so on that he requires, because the Government can not get these things without either

export and import and machinery to manufacture them. So that we have another vicious circle; if the peasant does not produce enough grain to export, we can not buy him abroad the agricultural machinery that he requires to produce enough grain to export."

The commission then explained to Prof. Lomanosoff the route for carrying supplies to the Volga district which had been recommended to Mr. Hoover by the commission, tentatively, and asked for detailed information as to the possibilities of shipping grain into the Volga district through Rostoff as a base. Prof. Lomanosoff stated:

"Novorossisk would perhaps be a better port of entry than Rostoff; either would be very much better than any northern port not only because the northern ports freeze early but also because bringing grain from the north means hauling it clear across Russia, which, in the present state of fuel supply in Russia, might be quite impossible and certainly very wasteful. Rostoff has the grave disadvantage that the harbor is as yet unswept of mines, but of course it would be swept very quickly. Novorossisk possesses a railway loop similar to that suggested for Rostoff—the route for loaded trains direct via Ekaterinodar-Tikhorietskaya-Ssarepta-Tsaritsin, 504 miles, and the return route via Voljskaya-Likhaya-Rostoff-Tikhorietskaya-Novorossisk, 622 miles. These routes are, of course, both longer than the two your commission has suggested, but I believe there are better loading and unloading facilities at Novorossisk than at Rostoff; there are modern cranes, etc., there."

It was pointed out that in unloading grain cranes would be of no use, in any event, and that the shorter haul would increase the trains available for hauling by 40 per cent.

"Of course that is a big point," Prof. Lomanosoff said. "It would be a deciding factor, if everything else were equal. But there is one little element that must not be overlooked, namely, that on the shorter upper road of the loop out of Rostoff that you propose for your sending the loaded trains—Likhaya-Voljskaya—there is a fairly heavy grade between Krivamoorghinskaya and Tsaritsin which is not on the other southern road, via Tikhorietskaya-Ssarepta which from Novorossisk would be the route for the loaded trains. By this latter route one engine can haul 50 cars while by the other only 38 cars can be hauled. That makes a difference of 24 per cent, so that your 40 per cent saving in haul becomes a net saving of only 16 per cent in using Rostoff instead of Novorossisk.

"However, out of Novorossisk barges on the Don River could, as you suggest, carry a great deal of the traffic to Kalach-Donskava where it would then have to be reloaded and sent by rail to Tsaritsin, 48 miles. The extra reloading could be done by refugee labor at little cost, and the saving in actual railway mileage would of course be 86 per cent over the Rostoff all-rail loop and 90 per cent over the Novorossisk all-rail loop. The grade I have spoken of is between Kalach-Donskaya and Tsaritsin, so that the rail haul between the Don and the Volga would be only 38 cars per train this way.

"By carloads I mean approximately 1,000 poods or 36,000 pounds. English. We can easily manage three trains per day on either of the loops. That would be, therefore, 2,052 tons daily out of Rostoff and 2,700 tons daily out of Novorossisk. By way of the Don and Kalach-Donskaya, with the short haul, this could readily be made 6,000 tons daily. It must be borne in mind that the Don could be used at the same time that either of the rail loops was being used, shipments by the Don being stored at Kalach-Donskaya and shipped out as fast as the traffic would permit. In this way 7,000 or 8,000 tons could be handled per day by using all means.

"Distribution through the Volga district should be, as you suggest, by river steamer to local points of distribution at, say, Cherny Yar, Ssarepta (or Tsaritsin), Kamystchin, Sratof, Ssyzran, Samara, Simbirsk, and Kazan, and the local distribution should be effected locally through the communes, to keep the people on the land so that they can continue the cultivation that they have already begun. The Volga tonnage is more than sufficient to handle all the traffic by the river. The Volga steamers make 10 kilometers an hour, and we have one-half million ton mazoot carriers on the Volga to supply the boats with fuel, which comes from Baku and Petrovsk by way of the Caspian and Astrakhan.

"For detailed information about the railways in Russia you should apply to Director General of Transportation Barisoff, and for details as to the Don and Volga steamers to Drehr, of the transport division of the ministry of supplies. On the method of distribution the best man to see would be Brukhanoff, who is acting commissar of supplies.

"So far as my own opinion goes, I am convinced that if no impediment is placed in the way of our purchase abroad of the supplies we require the railways of Russia can be put in at least as good shape as in 1914 by January 1, 1927. This is a greater problem than anyone who has not investigated conditions in Russia can have an idea of. In 1917, when Russia made peace with Germany, the whole country was

ruined; the transportation system had been strained to a point where it had crumbled, and the entire economic life of the country, so dependent on transportation, had suffered a body blow. The revolution followed, and then, just when the country was beginning to get to its knees again, came the civil wars and the wanton destruction of the very framework of communications throughout the country where the hostile armies operated. In a few months the labor of years has been destroyed, senselessly, and to accomplish no purpose whatever except to cripple the country and to make its regeneration difficult. The task now is to accomplish that regeneration, notwithstanding."

AUGUST 27, 1921.

Arrangements were made, on request, by the Anglo-American Bureau of the Commissariat for Foreign Affairs for interviews by the chairman of the commission with Acting Commissar for Agriculture Gregorovitch and by Mr. Voris with Acting Commissar A. Anixt, for labor. The commission visited Mr. Connes in the hospital and found him suffering from malaria only and out of danger.

The reports of the interviews with the acting commissars for agriculture and labor, respectively, follow:

Mr. Voris's report:

Interview with Mr. A. Anixt, acting commissar of labor, and an associate of his, Mr. N. Fishon, acting chief of immigration, who interpreted and added comments. Mr. Anixt is a thoughtful, forceful man, of leadership type. Mr. Fishon, who was born in Russia but educated in Belgium and England, is a young apostle of the present system of government. They were both very courteous and sympathetic with the expressed desire to learn as much as possible about labor conditions. It was explained that this interview was of a general nature, in order to discover the spirit, organization, and problems of the workers of Russia, and not simply a query as to the direct bearing of the labor department on the famine situation. The conference took the form of question and answer. Only the leading or topical queries are herewith indicated.

Asked about the broad problem of employment and unemployment and the distribution of labor, Mr. Anixt said:

"There is no problem in this such as there is in capitalist societies. Technically there is no state of unemployment. Every one is now at work at something; every person is expected to labor. This does not mean that all will labor with their hands in factories or in the field. Thus there is labor in the fields of art, music, teaching, drama, as well as in industry or agriculture. All labor is dignified. Those who do not labor are not recognized. Only the proletariat—the workers—have a place in Soviet society. And under this system unemployment is impossible. Nor are there employment bureaus in the usual sense. There is, however, a department devoted to the distribution and mobilization of labor, so that all are placed at useful work, and if not needed in one field they are transferred to another. It should be clear, however, that the idea is for men and women to work in the line for which they are by ability and training fitted. If they are musicians they can best serve the government usually by continuing in this profession wherever possible, but their service is, like that of the industrial worker, not for profit."

Asked as to the significance of labor unions in this connection, he said:

"The labor organizations were powerful before the new régime. They are much more centralized, more cooperative, and more powerful now. The progress within the past three years has been very great. There are more than seven million member of trades unions in Russia. They are divided as to craft. There is the railway workers' organization, etc., in the industrial field, but there are also unions of teachers, of musicians, of artists, writers, and the like. These unions have much to say about government plans for labor—in fact, they determine the question of hours, wages, living conditions, and distribution of labor. These unions are affiliated with the trades unions of other nations. They are interested in the whole problem of labor and not merely in the question of wages and hours for their members."

The question as to living conditions from the standpoint of labor brought out the following facts:

The general work day is eight hours. Eventually when industrial conditions are stabilized this time may be shortened. For hazardous occupations the day is six hours. Sunday is a holiday. Office workers labor six hours a day. However, it is well known that all the leaders are working day and night without respect to hours. (The impression of the interviewer and the other members of the commission would confirm this statement.) Peasants are subject to the same conditions in general. However, there are two classes of peasants—those who work on government estates (estates which were formerly owned by the Imperial Government, or by the landlords), and those who either own their own ground or who work in a commune. The former work eight hours a day like industrial workers. The latter work as long as they please. Men and women work the same hours.

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As to wages, up to April 1, under the old Soviet law, workmen received ordinarily a pound of bread a day for themselves, and three-quarters each for their wife and children. In addition they receive their living quarters, clothing, and 8,000 rubles per month. But since April 1 things are changed and there is now being developed a new system.

What is this new system? The factories and stores are to be managed by individuals, for such profit as they can make. They are, of course, subject to certain general conditions, must give proportion of time and profits to the Government. The workmen in these establishments will receive their living quarters and a certain part of that which they are themselves producing. They can then exchange these goods through cooperatives for other things they may need. (In talking with an office worker in the department I learned that he expected to go to work in an automobile factory after September 1 at 1,500,000 rubles per month and a furnished three-room apartment.) Of course the workmen have their cooperative stores where they can get anything they desire. These stores are now being opened up, and all departments of workmen will have their own establishments where they can buy materials or exchange them, without any overhead profit.

Mr. Anixt said with reference to housing conditions: The conditions are bad now, especially here in Moscow, for everything is congested, due to war conditions, and the failure to have materials for repairing and building. Now we give one room for a single man or woman; two or three room apartments or homes for families. Government officials usually live in hotel apartments of easy access to their work, but they are limited like other workers in the number of rooms. (Mr. Anixt himself had three rooms, Mr. Fishon a single small room.) Comfortable homes are provided for all workers. Asked if this means that others (of the bourgeoisie) were thrown out of home, the answer was: "No; but their houses have been taken, if sufficiently large, for children's homes. If not thus needed, the former owner has been allotted two or three rooms, and the remainder have been allotted to workers."

The question of labor of women was raised. In reply: "Women are expected to work just the same as men. However, a mother is not expected to work if she has a child under 7 years of age, unless it is placed in a children's home, or if she has three children who are self-supporting. Unmarried women are expected to work after 18 years of age. They get the same wages as men when they work. Women are not required to work after they are 40 years of age; they are furnished with their living after that time. Women are expected to work at the trade for which they are best fitted."

Asked as to the equality of labor: "All labor is held high. Even 'servants' are not regarded as menials; they are respected as much as others. They live in their own homes, usually, and have regular hours, with time for recreation. They have the same regards as other workers. It is admitted that there are some bourgeois families who are still able to retain servants on the old basis, but their number is diminishing."

As to immigration: "It is very low now. Only those who are workers are wanted. Several thousands have come in, however, mostly skilled workmen to work in mines and oil regions. These are Swedes, Germans, and about 200 Americans. (One surmises that these are for the most part Russians in America who were deported on the ground of political attitude.) But under the new régime of industrial and trade development, after April 1 of this year there will probably be a larger number of incoming workers."

Asked about unemployment: "There is a labor exchange whose duty it is to keep track of the number of unemployed and to find work for them. The central labor exchange is selected by the council of trade unions, and the local exchanges by the local trade unions. From the moment a man or woman registers as ready for work, he or she is classed as a worker and entitled to all the privileges of a worker, and it is the business of the labor exchange to find work for the applicant."

"In April, 1921, there were 324,000 registered unemployed in Russia, but this does not represent the total number of unemployed, as a very large number of unemployed are not registered. Unemployment in Russia is not in the least the type of unemployment which has followed overproduction in capitalistic countries where an excess of labor has been artificially created. It has been the war which has created a large measure of the unemployment in Russia: (1) The skilled workers employed during the war in war industries who now with the closing of those industries are out of work; and (2) the unskilled workers, mostly women and children, who were attracted by war wages to leave their villages and come to cities and work in war industries, and who were left helpless when war work ceased."

Mr. Anixt gave his interviewer copies of two reports which he had published: "Organization of workers, 1918-1920," and same, 1920.

AUG. 27, 1921.

CONFERENCE WITH GREGOROVITCH, ACTING COMMISSAR FOR AGRICULTURE, BY A. A. JOHNSON.

The acting commissar is a young, active, and well-informed man. He and his assistants seem to know the needs of their country from an agricultural point of view, but most of the remedies proposed have not gotten far beyond the paper state.

The larger part of the conference was consumed in discussing agricultural statistics of Russia, which were later transmitted in writing and translated and attached herewith.

The great need of Russia from the standpoint of agriculture is modern agricultural machinery and education in using these machines, and knowledge of dry farming. Delegates are being sent to the International Dry-Farming Congress to be held in Canada this fall. (Krassin expects to attend this conference. The agricultural delegates are Prof. Tulaikof, Prof. Vavilov, and Prof. Yazefsky.)

Thirty Cleveland tractors (two plows) are now in use in Russia. They are well pleased with them. They have many of the larger English and Swedish tractors (five to eight plows) but the commissar did not seem to be enthusiastic over them. All tractors are owned by the Government. In plowing for peasants the work is done in the form of demonstrations. Several tractors are used at one time on large tracts of land which include large numbers of small farms. Boundary lines are disregarded. At these demonstrations large numbers of peasants come and observe the work. This creates in the minds of the peasants a desire for modern, progressive agricultural methods.

The commissar asked for cooperation with American agricultural institutions and earnestly requested that Mr. Johnson supply the commissar for agriculture with agricultural literature, catalogues, etc., of American agricultural machinery. This was gladly promised.

The commissar at the close of the conference expressed his deep appreciation of the visit of the commission to Russia.

INFORMATION RECEIVED FROM THE PEOPLE'S COMMISSAR FOR AGRICULTURE, BY A. A. JOHNSON, AUGUST 27, 1921.

(Tabulated statistics up to the minute, prepared by Mr. Gregorovitch, acting commissar for Commissar Ossinsky, and certified by him to be correct.)

[The Commissariat for Agriculture, the Bureau of Railroad Economy and Statistics. Prepared Aug. 26, 1921. No. 2127.]

To THE COMMISSARIAT FOR FOREIGN AFFAIRS,
The Anglo-American Section.

The Bureau of Economics and Statistics of the People's Agricultural Commissariat hereby send the following material:

1. The extent of land fit for cultivation (arable land).
2. Acreage of land used for planting (dessiatines).¹
3. Change in acreage of lands for planting.
4. Modifications in number of cattle.
5. Revenue in Russia in 1913 from different branches of rural work.
6. Revenue in Russia in 1913 from farming only.
7. Revenue that is expected in 1921-22 from different branches of rural work.

NOTE.—According to our promise we shall send, shortly, detailed information, with maps and diagrams.

KONDRATIEFF, *Chief of Department.*
G. N. THEODOEY, *Assistant.*

¹ One dessiatine equals 2.698 acres.

268 STABILIZING PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

How the land is distributed.

	General area.	Plowed fields.	Pasture grounds, meadows.	Forests.	Additional soil fit for cultivation.	Soil unfit for cultivation.
Russia, including Ukraine...	361,993,465	99,856,752	38,822,798	145,042,346	14,439,012	63,830,557
Ukraine.....	45,434,140	29,148,568	5,597,148	4,837,153	2,835,322	3,075,449
Russia, without Ukraine....	316,499,325	70,710,184	33,225,650	140,205,193	11,630,190	60,755,108

NOTE.—One dessiatine is 2.698 acres.

STATES COUNTED IN MAKING ABOVE COMPUTATIONS, RUSSIA (INCLUDING UKRAINE).

- | | |
|---------------|---------------------------------|
| 1. Astrachan. | 22. Nizhni Novgorod. |
| 2. Vologda. | 23. Kazan. |
| 3. Ololetsck. | 24. Viatka. |
| 4. Petrograd. | 25. Perm. |
| 5. Pskow. | 26. Ufa. |
| 6. Novogorod. | 27. Orenburg. |
| 7. Tver. | 28. Samara. |
| 8. Yaroslavl. | 29. Harkoff. ¹ |
| 9. Kostroma. | 30. Poltava. ¹ |
| 10. Vladimir. | 31. Tchernigov. ¹ |
| 11. Kaluga. | 32. Kiev. ¹ |
| 12. Tula. | 33. Volin. ¹ |
| 13. Riazan. | 34. Podolsk. ¹ |
| 14. Moscow. | 35. Herzon. ¹ |
| 15. Oriol. | 36. Tavritcheek. ¹ |
| 16. Voronej. | 37. Ekaterinoelav. ¹ |
| 17. Kursk. | 38. Vitebsk. |
| 18. Tambov. | 39. Smolensk. |
| 19. Penza. | 40. Mogilow. |
| 20. Saratow. | 41. Minsk. |
| 21. Simbirek. | |

Total area planted in 24 States.

[Given in thousands of dessiatines.]

	Area.	Per cent.
1916.....	17,523	* 100
1917.....	17,673	100.8
1919.....	14,647	83.5
1920.....	12,600	71.9

* Normal.

Total area planted with edible plants in 24 States.

[Given in thousands of dessiatines.]

	Area.	Per cent.
1916.....	16,129	100
1917.....	16,337	101.3
1919.....	13,755	83.3
1920.....	12,187	75.5

¹ Belonging to Ukraine.

WALTON, H. E. - THE AMERICAN PRESS. 24.

... and the like.

RECEIVED JULY 11 1968

270 STABILIZING PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

The gross revenue from different branches of farming work that is expected in soviet Russia in 1921-22, without Ukraine and frontier countries.

Branches.	General quantity.		Per cent to total.
	In millions of pounds.	In millions of gold rubles.	
Cereals.....	719.7	565.7	40
Textile plants.....	416.5	133.3	9
Vineyards.....	4.5	7.6	1
Vegetable gardening.....	1 186.5	85.3	6
Live-stock industry.....	1 281.6	616.4	41
Total.....		1,408.3	

¹ This figure is given transferred in value of cabbage.

² The horses' skins have not been counted.

The gross revenue from farming for one person of population in 1913 was 48.3 gold rubles.

The gross revenue from farming for one person of population in 1921 (estimated) will be 18 golden roubles. (Estimate of Aug. 25, 1921.)

AUGUST 28, 1921.

The commission was advised that it would leave at 20.30 for the Volga Provinces, on the itinerary laid down by the commission. It was stated, also that Mr. Guy, the interpreter who had accompanied the commission at its conference with Mr. Kameneff, would go with the commission as far as Samara and that a member of the British Parliament and several newspaper correspondents would also accompany the commission to Samara. The mandate given the commission by the Socialist soviet government of Georgia was taken up Mr. Weinstein and new papers issued a translation of the document following:

"RUSSIAN SOCIALIST FEDERATED SOVIET REPUBLIC,
"PUBLIC COMMISSARIAT FOR FOREIGN AFFAIRS,
"OFFICE OF THE DEPUTY OF COMMISSIONARY OF PEOPLE,
"August 27, 1921.

"No. 11/4825.

"Moscow, second House of Soviets. Tel No. 42366.

"Witnesseth, permission is hereby granted to the bearers hereof, members of the American Committee for Relief in the Near East, American citizens A. A. Johnson, Paxton Hibben, A. Yarrow, F. Connes, J. Voris, Emily Burkhardt, and A. Kooshnarooff, to proceed to Georgia through the following points: Syzran, Samara, Kuznetsk Penza, Balashoff, Povorino, Tsaritsin, Tikhorietskaya and Petrovsk.

"We request all representatives of the Government to see to it that no let or hindrance is placed in the way of the above mentioned persons during their journey through the points mentioned above."

At 10, the commission waited upon Maj. Carroll, of the American Relief Administration, who with a party of about 10 Americans had arrived the previous night in a special train from Riga, at the Windau station. Maj. Carroll was informed of the circumstances attending the formation of the Russian Commission of the Near East Relief, what it had accomplished thus far, and its plans. He informed the commission that a certain amount of food, former army supplies which had been in Germany, had been already shipped to Russia by way of the Baltic and that he hoped that distribution in Petrograd and Moscow could begin shortly. The commission advised him that it was leaving for the Volga district that evening. Maj. Carroll stated that he expected to send a mission into the Volga country within a few days. The commission acquainted Maj. Carroll with its tentative conclusion that the need was very much greater than could be met by a mere child-feeding program and outlined the difficulties which, in its estimation, the American Relief Administration might encounter in limiting its work to child feeding, pointing out that conditions in Russia are very different from conditions in Central Europe and noting the fact that the extensive exodus of peasants from their villages had created in Russia a peculiar situation which rendered relief work exceedingly difficult to organize.

Maj. Carroll furnished the commission with the first full test of the agreement which had been reached between Mr. Brown, representing the American Relief Adminis-

tration, and Commissar Litvinoff, representing the Russian Socialist Federated Soviet Republic, and stated that it was his understanding the Col. Wm. N. Haskell, United States Army, who had been in charge of the food distribution for the American Relief Administration in Rumania and Transcaucasia, and who had been Director General of the work of the Near East Relief in Transcaucasia, would be in charge of the relief work to be undertaken in Russia. Maj. Carroll did not ask to see the cables that had been sent to Mr. Hoover by the Near East Relief Commission and Chairman Johnson did not show them to him.

At 20.35 the special car of the commission was attached to the Tashkent express and left for Samara. To the same train was attached a special car in which were J. E. Mills, M. P., Dr. Louis Segal accompanying him; Charles Stephenson Smith, of the Associated Press; Seymour Beach Conger, of the Philadelphia Public Ledger; Walter Duranty, of the New York Times; J. C. Segrue of, the London Daily News and Leader; J. Voigt, of the Manchester Guardian; C. E. Bechhofer, who had at one time been correspondent of the London Times; Interpreter Guy, of the Commissariat for Foreign Affairs; and Miss Margaret S. Thorp, of Brisbane, Australia, a worker with the Friends Relief Committee.

AUGUST 29, 1921.

The journey to Samara was made via Ryazan, Roozaiyka, and Inza, passing through the Governments of Ryazan, Tamboff, Penza, and Simbirsk to that of Samara, 656 miles. During the first 450 miles of the journey, to Inza, near the boundary of Simbirsk Province, no indications of famine are to be observed. As the distance from Moscow increases, however, fewer articles are offered for sale at wayside stations until at Inza only wild strawberries, fruit, and milk may be purchased. From Inza on, the soil shows signs of drought and such crops as have been sown of having been burned up. At Syzran, when the Volga is reached, it is evident that the country of the drought has been reached. Despite recent rains, nothing is left in the fields at all, and the countryside presents an appearance of desolation.

AUGUST 30, 1921.

The commission reached Samara at 9. There was no question as to the presence of famine from the moment of arrival. The station and the square in front of the station and the vast open market place and exercise ground 100 yards or so from the station were crowded with refugees encamped on station platforms, in hallways, on the streets, and around the edges of the open space. In the open space were scores of booths at which fruit and such other supplies as were available were sold to refugees and travelers. The abject misery of these refugees was apparent, albeit there was as yet no great emaciation or actual starvation among the refugees, so far as could be seen. They lacked everything, however—clothing, utensils, food, means of cleanliness or privacy, and seemed to be waiting merely until they could get away anywhere—"wherever my eyes lead me," as one peasant put it, in the common Russian phrase. Those in and around the station marked the lowest ebb of those who had little by little sacrificed all their possessions save what could be carried in a sack, which could be readily thrown on a freight car; those camped about the open space where another category of those who still had a few household articles, cooking utensils, blankets, perhaps a wagon and a horse or two or a camel or perhaps even a cow. These they sell bit by bit to keep body and soul together for themselves and their families, with no plan of what to do, and no means of doing anything if they had a plan. Their main idea is to get away, but they have no idea where they want to go or what they expect to do when they get there. And as this process of depletion of the few remaining resources of the peasant families continues, they rapidly fall into the other category of those whose possessions may be gathered into a sack and who, thus unencumbered, pile upon freight trains and move elsewhere.

Meanwhile, with all available transportation the soviet government is endeavoring to handle this congestion in such centers as Samara, Saratoff, and Tsaritsin by transporting entire trainloads of the refugees who have arrived in the centers to parts of Russia or Siberia where a certain even meager harvest during 1921 gives a promise of the local inhabitants being able to assist in taking care of the famine sufferers. In this way, the quickest solution is found of the famine situation—by taking the people to the food instead of the food to the people. Otherwise the grain would first have to be gathered from the farmers who have it, in tithes, brought to central points, and then distributed to every village in the famine area. This is the ultimate intention of the soviet government, and the utmost effort is being made to induce the peasants to remain on their farms and wait the time necessary to complete this process. But where the peasants do not remain, they are handled in the manner just described

as rapidly as transportation facilities permit. Indeed, it is plainly the only thing that can be done, since once he has left his home it is impossible to persuade the peasant to go back until he knows that a sufficient supply of grain awaits him there to see him through the winter and the spring planting. And while this exodus of peasants unquestionably has brought incredible suffering to hundreds of thousands, perhaps millions, of peasants, and can not fail as winter draws on to sow death through the whole of Russia by wholesale, it is at bottom a practical if cruel handling of the situation since it accomplishes two ends:

(1) It reduces the number of those who remain in the famine area and who must be fed there until next harvest and thereby increases per capita among them the supply of draft animals, seed wheat, and food, and (2) delivers a large part to those who must be fed at least until next year to points where they may be fed, locally, thus avoiding the grave transportation problem in connection with the feeding problem.

All of this is, of course, the most temporary of emergency expedients. It does nothing whatever to solve the equally pressing problem of next year's crop in Russia. To meet that difficulty, the commission sees no other means than outside aid.

At the Samara Government soviet building, Vladimir Sokolsky, a very earnest, intelligent man in his late thirties, of the educated peasant type, fully alive to the gravity of the situation he was called upon to deal with, head of the Samara soviet, explained to the commission the situation so far as the Samara Government is concerned. He gave first statistics showing comparative climatic conditions during 1921, as compared with the average of the past 17 years, including the last famine year of 1911:

	April.	May.	June.
Average temperature (Centigrade):			
Of air—			
Past 17 years.....	5.1	13	15
1921.....	9.18	19.3	24.9
Of soil—			
Past 17 years.....	6	17	25
1921.....	13	25	32
Average rainfall (in millimeters):			
Past 17 years.....	21	38.8	46.9
1921.....	1.7	.3	5.1
Evaporation (in millimeters):			
Past 17 years.....	55	128	136
1921.....	88	213	281

Having thus shown the direct, immediate physical causes of the failure of the crop this year, Commissar Sokolsky pointed out that from 1914-1917 Russia was in war, the men mobilized, all the grain taken for the army, with the natural resulting breakdown of the whole agricultural system; in 1917 there were the two revolutions with their consequent confusion and slow readjustment; in 1918 Samara was invaded by the Czecho-Slovaks, the city sacked, and fighting constant; in 1919 the Kolchak rebel army marched upon Samara, getting within 20 miles of the city itself and laying waste the whole northeastern portion of the Province and requiring the peasants of the Province themselves to turn out to repel the invasion unaided. As a result of these circumstances, instead of the average planting of previous years of 10,792,000 acres, only 4,316,800 acres were sown. And while there are in Samara 37,772,000 acres of arable land which might have been planted had there been sufficient man power, agricultural machinery, and draft animals or tractors, 33,455,200 acres remained uncultivated. Of the 37,772,000 acres of arable land virtually all has been distributed to the peasants, of whom the rural population is 2,500,000.

But there was also a drought in 1920, quite as bad as that of 1911, with the result that there was a very small return even from the reduced acreage sown. As a consequence of this condition, only 1,483,900 acres were sown in the fall of 1920, which produced only 44 pounds of grain per acre (3.3 poods per dessiatin) while 2,832,900 acres were sown in the spring of 1921, producing approximately 120 pounds per acre. The normal yield for fall grain is 934 pounds per acre and for spring grain 1,334 pounds per acre.

The total grain grown this year is approximately 270,000 tons. The normal requirement of Samara Province for food and seed is 702,000 tons. There is therefore shortage this year of 432,000 tons of grain.

It has been the hope of the Samara Soviet that this fall by securing seed grain from other sections, at least 2,158,400 acres might be planted at the fall sowing, as it was realized that owing to famine conditions many of the peasants would have killed their draught animals before spring, and that the spring planting would thereby

be perforce reduced. To this end, the central government at Moscow promised to secure and ship in at once 34,200 tons of seed grain, if possible before September 15. Of this amount, 9,000 tons have already been furnished by the Moscow government and distributed among certain villages. This distribution of seed grain was later witnessed by members of the commission. The central soviet government also proposed to secure 18,000 tons of seed grain from Siberia for the same purpose, but Commissar Sokolsky stated that he had little hope of this grain arriving in time for fall planting, if at all.

There is now on hand in Samara in the neighborhood of 21,600 tons of grain which will be and indeed is now being planted as seed. It will plant approximately 1,079,200 acres, or about one-fourth of the acreage planted last year, whose insufficiency was one of the principal causes of the present famine. For spring planting and to eat through the winter, outside of the little that has been hoarded by a few peasants who have managed to keep life going on bread of acorn flour, "soosak," pigweed seed, and sunflower seed and save their grain for seed, there is nothing in Samara.

On the other hand, there are in Samara Province 50,000 children in institutions dependent wholly upon the Government for food, clothing, and shelter. Certain of these institutions were later visited by members of the commission and the children found to be cleanly housed, but clad only in cotton garments and very insufficiently fed with resulting emaciation. In addition Commissar Sokolsky stated that there had been 588,000 persons receiving food relief during the month of August. He anticipated that by September 30 this number would reach 1,200,000 persons, and by November 30 the entire population of Samara, of 3,000,000 souls, would be without food unless some aid from outside the Province were received.

Despite this prospect, Commissar Sokolsky said that both the central soviet government and the local Samara Soviet were making every effort to retain the peasants on their farms and to discourage emigration. He pointed out that the only hope of avoiding a repetition of famine conditions next year was the planting and harvesting of as large a crop as possible, and that for this it was obviously necessary to retain on the farms enough peasants to plant and harvest the maximum possible crop. He asserted that it was his belief that the peasants of Samara were sticking by their guns and that not many of them had emigrated. The secretary of the commission stated that this was not in accord with the observations of the commission, which had seen very large numbers of refugees from Samara at points all along the line of its journey from Petrovsk to Voronejh. Commissar Sokolsky insisted, however, that only about 100,000, or 4 per cent of the farming population had left.

The chairman of the commission stated that from the investigation he had made it would seem that the plowing now being done was growing steadily shallower, and suggested that this would be one of the prime causes of low yields. He stated that his observation had led him to the conclusion that the plowing now would not average deeper than 5 inches.

Commissar Sokolsky admitted that this was the case and stated that the consequences of shallow plowing were fully realized, but that the farmers had lost a very large proportion of their horses during the war, the horses having been taken for army use, and that since the famine had set in, many of the peasants had eaten their draught animals and many more would eat them before the winter was over. This would of course mean that with fewer animals to draw the plows, the plowing would perforce be shallower.

Chairman Johnson asked how the use of tractors would affect this situation, and the commissar's face lighted up at once.

"If we could get enough American tractors to handle all our land, it would save the situation not only for Samara but for all Russia," he said. "If once we could put the whole of our arable land under cultivation it would give us sufficient surplus to insure there never being again the situation which has come upon us as a combination of two successive years of drought coupled with a lack of rserve supply due to war demands and an insufficient acreage under cultivation also caused by war conditions. One good year of full cultivation, and we are all right," he added. "Tractors would assure us that."

Questioned as to the cholera in Samara, Commissar Sokolsky was quite frank on that head. The epidemic of cholera was at its height in July, but had now passed, he hoped. In July there had been an average of 200 cases daily in the city, and 300 cases altogether daily in the Province; of these 50 per cent in the city and 70 per cent outside the city had been fatal. In July there had been approximately 6,000 cases and 3,000 deaths. There were now, at the end of August, only about 15 new cases daily.

Questioned as to what "soosak," which he had mentioned as a food substance now used by the peasants, was, Sokolsky explained that it is a species of marsh grass with

a certain small food value of which 8 pounds of grass made 1 pound of flour. One of the largest breweries in Samara, he said, had taken up the manufacture of the flour. Professors of the national board of health had pronounced it of food value, but the labor in making the flour is, he said, considerable.

The soviet authorities of Samara offered to send the commission to any village or villages it might select to study conditions on the ground. There was in this offer, as throughout the experience of the commission in Russia, no effort whatever to persuade or induce the commission to see any particular thing or to go to any particular place; and once the commission had decided to visit a given locality, there was no preparation of any kind in advance of the visit of the commission. The assurance given by Commissar Chicherin, that the commission "was free to go anywhere it liked in Russia, and to see anything it wanted to see," was carried out literally, and his statement that the movements of the commission would be absolutely uncontrolled was found to be unquestionable. Indeed, it may be stated that this entire freedom even from check by the central soviet government of the movements of the commission was frequently a source of short delays to the commission's movements at railway junctions or other points where the local authorities had never heard of the commission, and only the written credentials furnished the commission secured means of transport.

In this instance, there was no question of previous preparation of the villages visited by the commission, Semeykina and Novoe Semeykina, 16 and 18 miles, respectively, northeast of Samara. Other villages subsequently seen by the commission were in far worse case than these, which may be taken rather as typical villages where famine conditions had not yet become acute.

On the way to the villages in question, the commission passed several long caravans of whole families, with what household goods could readily be piled on wagons. Questioning them, it appeared that many of them had come great distances and had sold all their possessions that they could not carry with them before leaving. On the way they had lived on the proceeds of these sales, but in many instances the proceeds had been very small and had long since been exhausted, and the trekking farmers had been forced to live upon the charity of the inhabitants of villages through which they passed. All were very emaciated and in most instances the horses drawing the wagons were in the last stages of exhaustion from overwork and lack of food. By the roadside one family was found whose last remaining horse had just died, leaving the owner, Igor Kovznetzky, of Stary Vassilooka, a village about 80 miles from Samara, with his family and their wagon of household goods with no means of going farther. When the commission talked with Kovznetzky he stated that he had owned 28 acres of land, but that the drought had left him no possibility of seeing the winter through. He had sold his belongings and his cow and with that money had started for Samara with his family with the idea of getting work on the railway, where he had formerly been a laborer. When he left he had had two horses, but they had been forced to eat one and now would be compelled to eat the other. He did not know how they would make the remainder of the 12 miles into Samara, but he said they "would manage, somehow." Later, the commission found Kovznetzky, his wife and his grown daughter pulling their wagon along the road, hitched in the shafts. Kovznetzky's case was a typical one.

Several of the groups of refugees passed stated that they came from the autonomous Tartar Republic (formerly the Kazan Government), a distance of over 100 miles. Only one such group had wagon or draft animals left, though all had started with both; the group with one wagon and one horse was composed entirely of women and children of several families from the same village in the Tartar Republic, whose men were coming on after them afoot, all having pooled their resources, taken the best wagon and horse to carry the women with their babies, and sold the remainder for money to keep them alive on the journey. The refugees from the Tartar Republic stated that conditions there were even worse than in Samara, as Kazan is isolated from the main line of travel except by the Volga, from which source, of course, no help was to be expected, and transportation throughout the Tartar Republic is by road. "Nothing comes into the Tartar Republic by rail save through Simbirsk," one of the refugee women stated. "And by the time a train gets to Kazan there is nothing left." They declared that between 40 per cent and 50 per cent of the population of the Tartar Republic had left or were leaving. While this is probably an exaggeration, it is the opinion of the commission that it is much more nearly accurate than the 4 per cent figure given by the Samara Soviet.

In Novoe Semeykina there were 1,850 "souls who eat meat on the feast day," as the peasant expressed it, meaning evidently total population not counting babes at the breast. It is a communal village possessing about $1\frac{1}{2}$ acres per soul, or about 7 acres per family. Much of this land it was stated has been added to the commune's

property since the nationalization of the land, and has been more than the villagers could cultivate with a considerable part of the men folk of the village mobilized and most of the good horses taken for the army. Numerous persons, asked separately, stated that 40 per cent of the village population had already emigrated, and one woman even named all the families that had left. The commission visited the house of one family just on the point of leaving. Everything had been sold except the few articles that the family were packing on the one wagon. This family had already eaten one horse and the one cow the family possessed and were taking the one remaining horse to draw the wagon by which they were leaving.

Asked what they expected to gain by going to Samara, for example, where thousands of similar families were already concentrated without means of feeding themselves, the peasant stated that at least from Samara there was hope of getting away to some point where food could be obtained, while in Novoe Semeykina there was no hope whatever, death before the end of winter being certain. One woman in the village was said to have gone quite insane from apprehension, and to have killed her child with a hatchet. Many of the women with children talked very wildly and it was plain that a sort of panic was upon the whole population, which, in the estimation of the commission, is the case throughout the famine area and which accounts for the migration of such a large portion of the population, without either aim or hope in leaving home.

As to the prospects for harvest this year, it was stated that the farmers would not even get their seed back. They had been living for almost a year, they said, upon a peculiarly unpalatable black bread which the commission tasted, made of acorns, pigweed, and sunflower seed and dried melon rind. The people of the village looked very thin, but not emaciated. The children were palpably underfed, but there was no actual starvation as yet. All questioned stated that there was no reserve supply of food beyond December. Some few farmers had seed grain stored away against the spring planting, which they declared they would keep as long as possible. But they admitted that unless food were received from outside there was little likelihood of their being able to keep this seed grain until spring. Asked why they did not emigrate, the reply was generally: "What for? If we have to die, we had rather die where we have lived and be buried among our own people." Great skepticism was expressed as to the coming of outside aid from America. "We have heard all that sort of talk before," village women told the commission. "Why should America send food to us? We shall believe it when we see it." As to aid from the central government, they were equally incredulous. "They say they are trying to help us," they declared. "Maybe so. In the old days the Government did not even try to help. But it comes to the same thing. We shall die just the same."

Nevertheless, these sentiments expressed in words implied no fatalism so far as conduct was concerned. At least 60 per cent, perhaps 70 per cent, of the farmers were holding on and were prepared, with full knowledge of the chances of starvation before spring, to stick it out and plant next year's crop. On the whole the spirit of the villagers was admirable. There was no self-deception; but there was also little despair.

In other villages visited in Samara and Simbirsk Provinces the result of the commission's investigations was practically the same. No detailed report of other villages will be made, save in so much as facts or indications encountered depart from the typical experience just set forth.

In the city of Samara, however, special investigations were conducted by the commission to test the accuracy of the information furnished by the Samara Soviet and, save in the matter of the number of peasants emigrating, the information furnished by Commissar Sokolsky to the commission was found to be well substantiated. In the matter of the number of peasants emigrating from Samara Province the conclusion reached by the commission was that the correct figure should be between 30 per cent and 40 per cent of the farming population. But this would include a very large number of temporary residents, inhabitants of the Provinces invaded by the Germans during the war, who had been sent to the Volga region as temporary colonists during hostilities not only with the Germans but with Poland, but who, since the peace with Poland, are being repatriated in accord with the agreement of February 14, 1921, between Poland and the Russian Socialist Federated Soviet Republic.

The following messages were dispatched from Samara:

SAMARA, August 29, 1921.

NARCOMINDEL, Moscow;

Forward following by wireless: "Nearest New York for Hoover, Samara, August 29. We have visited Simbirsk Samara Provinces heart famine district. All statements made our cable sent Hoover from Moscow borne out by investigation on ground. Present conditions Volga not yet bad as Armenia, but unquestionably will be before

winter and on far wider scale unless general extended relief immediately undertake. Fifteen thousand five hundred homeless refugees now crowd Samara City waiting transportation elsewhere. Roads into Samara from country filled by trains wagons bearing fleeing families. In villages visited 40 per cent population already emigrated. The proportion applied Samara Province only would give 1,000,000 refugees. Fifteen thousand children now in institutions Samara dependent upon Government. Fifteen hundred eighty-eight thousand adults also now dependent, but in another month figure will pass million. Throughout Simbirsk Samara peasants now eating alleged bread made of grass, pigweed seeds, sunflower seeds, acorns, birch leaves, mixed wheat chaff containing almost no nourishment. Acorns for bread sell in market 1,600 roubles pound. Peasants already plowing with expectation sinking their last stake by planting all their remaining store grain, about 22,000 tons, as seed, leaving themselves nothing wherewith see winter through. Samara alone requires 400,000 tons grain until next harvest. Government making desperate efforts obtain this from Siberia and Turkestan, but must borne in mind that any grain from Siberia will probably arrive too late even if obtained, while refugees from Turkestan inform they leaving account shortage there. Situation is appalling in its possibilities Russia apt become second and vaster Armenia with starving, homeless people wandering place where impracticable reach them with relief unless outside an organization to distribute sufficient grain to feed general population until next harvest distribution to effected in communes themselves so as keep people on land.

(Signed) NEAR EAST RELIEF COMMISSION,
JOHNSON.

NARKOMINDR, Moscow.

For Carroll Hoover Mission. Conditions here on investigation have proved more serious than we at first believed and need for haste in effecting field organization greater. In villages we visited 40 per cent population already left and remained leaving continually. Problem keeping people on their land so can plant same next spring very grave and difficult one. Distances are enormous and transportation facilities nil. Approximately half million people now direst want this district and need growing alarmingly. Very strongly suggest you get all available supplies down here without delay, as every hour counts.

NEAR EAST RELIEF COMMISSION,

AUGUST 31, 1921.

The commission visited the water front of Samara and substantiated the reports the immense concentrations of refugees waiting for river transportation to take the away from the famine district. The beach is of an average width of 150 yards. For distance of over a mile refugees were gathered along this beach in family group living in the open without shelter, unspeakably crowded, without toilet facilities privacy, under no sanitary supervision, cooking what food they had or could obtain tiny open fires built between a couple of stones, and doing their washing in the river healthy and diseased alike. The condition of the children living under these circumstances was appalling. Few of them were clothed in anything but the scantiest rags and the inadequate food improperly prepared upon which they lived had induced state of emaciation bordering on starvation. As the diet of children and grown folk alike was mostly watermelons and fruit, there was very constant danger of cholera which in a camp where families were so closely packed could not fail to spread with great rapidity. The stomachs of many of the children were grotesquely swollen, and their hunger, when food was given to them, was ravenous.

Above the beach, in warehouses open at the sides, and along the street running parallel to the water front, were more families similarly encamped. The stench throughout was nauseating. Excreta covered the ground everywhere one stepped. It was estimated that at least 15,000 persons were encamped on the beach and in the street running parallel thereto. This would be in addition to those camped about the railway station and in the open space near the railway station.

There seemed to be even an excess of river boats of one sort and another anchored along the shore at Samara and on the opposite bank of the river. Many of these were large passenger steamers which could readily carry 3,000 or more persons each. Asked why these steamers did not take some of the waiting refugees down the river, a officer of the commissariat of transportation replied: "Where to? There is no food anywhere on the Volga, and the concentration of refugees at other points on the river is as great or greater than here." Subsequent investigation by the commission conditions at points farther down the river proved this statement to have been correct.

In addition to the passenger steamers, there were also numerous freight steamers and barges anchored along the shore. All of these could, of course, be employed in any distribution of grain up the Volga from Tsaritsin. The statement of Prof. Lomansoff that "the Volga tonnage is more than sufficient to handle all the traffic by the river" was fully substantiated by the observations of the commission.

A passenger steamer bound downstream put in at one of the numerous steamship quays while the commission was present, and was promptly stormed by a vast mob of refugees camped nearest the steamer. Many of them fought to get on the ship, leaving what remained of their few possessions behind them. Soldiers of the Red Army, endeavoring to prevent the overloading of the steamer, told them repeatedly that in taking the steamer to some other point along the river they would not better their case; but the people seemed to be possessed by a sort of madness, and there was no stopping them.

At a large warehouse on the river front it was found that seed grain shipped in by orders from Moscow was being stored for distribution. This grain was found to be a part of the 9,000 tons of seed grain to which Commissar Sokolsky had referred as having been already shipped into Samara by the central Government, as part of the 34,200 tons of seed grain promised.

The market of Samara was next visited and a certain very limited quantity of bread was found to be on sale, black bread at 3,500 rubles, white bread at 8,000 rubles for 14 ounces, while saccharine was 10,000 rubles per gramme. There was no sugar to be had.

The market was filled with people and covered over 2 acres of booths, but the articles offered for sale were of the simplest kind, generally secondhand household articles, hardware taken from buildings which had been gutted by the Czechoslovaks, articles made in the homes, such as chemises, knitted stockings, embroidered towels, etc. The latter articles were sold not in booths but by the women who made them moving about through the crowds with the articles they had made over their arms, to be sold. The shoes for sale were almost entirely either secondhand or mere sandals of leather. On the whole the market seemed to be rather a social than a commercial affair, and the people to be gathered there rather as a common meeting place than to make money. Speculation in a small way was, of course, evident. But there seemed to be very little heart for speculation in the market.

The commission also visited several so-called "commission stores," that is, second-hand stores in which articles of all sorts are offered for sale at a price fixed by the owner with a commission on the sale to go to the shopkeeper. There were few articles of value offered for sale, with the exception of some jewelry. The price at which the jewelry was offered was absurdly little, but towels, sheets, and articles of utility were rather high. American money was not current, which would seem to indicate that the sales were bona fide, and not for speculation.

There were few other shops open in Samara, and those mostly shops where articles made on the ground were sold—women's hats, shoes, wooden articles, etc. Many buildings in the city had been damaged or destroyed by fire and others sacked by the Czechoslovaks. None of these had been repaired, for lack of building material, it was stated.

The commission also visited one of the Government orphanages of which Commissar Sokolsky had spoken. The children were well housed in a large former private residence which had been requisitioned for that purpose. They were clothed in one simple white cotton garment for the girls and two garments for the boys. All were barefoot. They were receiving 7 ounces of bread per day and a soup twice a week, with meat in the soup when it could be obtained. The orphanage was under the direction of a capable woman of experience, and the orphans were being given instruction. The orphanages, the directress said, were under the commissariat of education and consequently fared rather better than if they had been under the direction of the local soviet authorities, upon whom the demands were so great from every side that it is conceivable that orphanage work might have suffered. So far as the directress knew, there was no food supply for the orphanages in Samara beyond the end of November, if even that long.

At 15.30, the commission left Samara for Syzran, 85 miles down the Volga, arriving the same night.

SEPTEMBER 1, 1921.

Syzran is the capital of the Province of Simbirsk, on the Volga. Just across the river from Samara, the Province of Simbirsk is in identical case with Samara and conditions so far as the famine is concerned are the same as those in Samara. The same crowds of refugees surrounded the station and lined the river front, though in Syzran much smaller for the reason that Simbirsk Province is only half the size of Samara, while in Simbirsk there are two large river cities, Simbirsk and Syzran, while in

the Province of Samara the city of Samara is the only outlet of the Province on the river. It is also true that Samara is a center for those coming from outside the Province—from eastern Kazan—while Syzran is only the center for the populations of southeastern Simbirsk and northeastern Saratoff. It is important to remember that in the case of both Simbirsk and Saratoff Provinces the railways run away from the famine center; that is, those peasants in the western portions of these Provinces who wish to leave do not assemble in the great Volga cities as a rule, but take west-bound trains and leave the district by rail. Samara is therefore the largest single concentration center on the Volga, because all of those in Samara and southeastern Kazan who wish to leave assemble there. In a similar way Tsaritsin is another vast concentration camp, not because of refugees from surrounding farms in Tsaritsin, Astrakhan, or the Don Cossacks Provinces who come into the city, but because it is the point at which all of those who come down the Volga in boats assemble to go farther, if possible, by train.

At the station of Syzran the first example of organization in the transportation of refugees by rail was observed. Trains of box cars were being loaded with families to be shipped out, and women among the refugees were mobilized by the Soviets to sweep up the railway yards and keep them free of refuse and matter dangerous to health. The station employees at Syzran declared that they had received no pay for several months.

Syzran, unlike Samara, is 2 miles from the station, and it is therefore a simple matter to prevent refugees arriving by rail from invading the city, while the city is also over $2\frac{1}{2}$ miles from the water front, so that on this side as well it is an easy matter to prevent the invasion of the city by refugees. For this reason Syzran presents a clean and orderly appearance. The River Krymza divides the city into two parts, and in the sunken valley of the river a number of refugees were encamped, but as the two parts of the city are connected by a causeway the presence of these refugees in the valley does not affect the town.

In consequence of this separation of city from refugees at Syzran the city presented a very different appearance from that of Samara. All business in the usual sense had, of course, ceased; all shops were closed save a few watch-repair shops, bootmakers, tailors, and women's hat shops. There was only one "commission store," with its entire stock in the windows, and a very few articles indeed for sale. The market was by no means crowded by people as was the case in Samara, and the buying and selling in Syzran was almost entirely speculative, the small merchants selling what they thought might be more difficult to market and buying other articles for which they hoped to obtain a more ready sale.

Most of the articles traded were valueless from a standpoint of necessity or utility. It is worthy of remark that under these conditions when barter would seem to have been the natural method of procedure, it did not seem to be the case. A man with a pair of boots was pricing a mirror. He did not trade in the boots in part payment for the mirror, but sold the boots to the owner of the mirror as one operation, and then, with the paper roubles he obtained and others which he added thereto, purchased the mirror. Neither buyer nor vendor in this instance had any use for either mirror or boots. The greatest speculative attraction of the Syzran market appeared to be a large phonograph. But the speculators seemed in doubt as to the wisdom of sinking so much capital in a single investment of that importance. They appeared to prefer smaller profits with smaller chances of risk, and the bold spirit who had sunk his capital in the phonograph was plainly nervous about the bargain.

While there was only one "commission store" in Syzran, there were a quantity of walking "commission stores" in the shape of speculators, who either had purchased or who had for sale on commission watches, jewelry, and other articles easily carried about. Here as elsewhere in Russia the very low price of precious stones and jewelry was striking. As a girl who kept a little shop of odds and ends of cloth, and who had formerly been an instructress in a high school, put it: "One can not eat diamonds. It is better to sell them for any price. The communists are teaching us very drastically that private property is valueless—unless it be food—and that of course can not be kept indefinitely."

Probably also because no refugees were permitted in the city, there was much more foodstuff on sale in the market in Syzran than in Samara, though little enough even at that. Rolls of white flour and "pyrojchni" were to be had, as well as a sort of layer cake in which the filling was carrots instead of sweets. White bread sold at 6,500 roubles, rye bread at 4,500 roubles, and black bread of a very poor order at 3,333 roubles for 14 ounces. There was also a large quantity of dried Volga fish, a few on sale in the market, and a number of wagonloads of them being delivered at a Government depository in the city. These latter were to be stored, the commission was told, to be used in the food distribution being conducted by the Soviet of Syzran.

The commission visited one of the food distribution centers conducted by the Soviet of Syzran, and took photographs. There seemed to be a large number of these points in Syzran. They were clean and well conducted, but the amount of food for distribution seemed very small. There was a constant stream of children and sick women coming for food. Bread was given, sugar in infinitesimal quantities, dried fish and fish soup, the latter very thin. Some ate what they were given at tables provided for that purpose; some brought cans for the soup and took it away. All who received food rations presented food tickets for it, a few being cut by the servers from large sheets. It was noted that some of the tickets were dated as far back as May, showing probably that the holders had had recourse to the food distribution centers only on necessity, keeping their tickets for future use. There seemed to be no date at which the tickets expired.

The commission left Syzran at 14.30 for Penza. As the Volga was left behind, the signs of all vegetation having been burned by drought decreased and while crops remained poor, there was no sign that famine had extended into the southeastern part of Penza Province. At Novo Spasskoe during a long wait a discussion between peasants and railway workers over the responsibility for the famine took place which was characteristic of similar discussions throughout the journey at almost every point where a number of the inhabitants congregated. Opinions were as freely expressed as in the United States or anywhere else, and criticisms of the soviet government at Moscow were common and outspoken. They were, however, criticisms of the type which is normal in any country of any government in power and the freedom with which they were voiced left the impression in the minds of the commission rather that the stability of the present government of Russia was generally recognized and the government, in consequence, subject to free criticism than that there was anything uncertain about the tenure of the government which would tend to discourage criticism among the people either on the patriotic ground of not weakening a government of doubtful stability or on the ground of prudence in not attacking a government so unsure of its own tenure as to employ repressive measures.

SEPTEMBER 2, 1921.

The commission arrived at Penza at 6 and left at 10. As Penza is not itself in the famine district, and though close to the western boundary of Saratoff Province is not the readiest point of departure for fleeing families, the number of refugees gathered at Penza was much smaller than at Voronejh, farther west, or Syzran, farther east. The whole route of the commission's progress from Penza to the railway junction at Ritschchevo lay along the outer edge of the famine country and through a peasant country where there was no more evidence of the presence of the Red Army than an occasional station guard, preventing the overcrowding of the train by refugees, whose number began to increase as the route of the commission lay to the south.

At almost every station there was a large grain elevator to be seen, and frequently a flour mill. At the grain elevators there were drawn up long lines of peasants' wagons loaded with large sacks of grain, which was being delivered to the soviet authorities at the elevator. At none of these stations was there any soldier seen or any indication that any force whatever was being used to compel the peasants to deliver the grain in question to the authorities. Questioning elicited the information that the grain being brought in was the tax in kind being levied on the farmers of Russia, replacing the former requisitions of grain, as explained by Commissar Lenin in his speech of March 15, 1921, at the tenth congress of the Russian Communist Party. This tax in kind had been effective only since April of this year.

At a number of these points of collection there was considerable discussion among the peasants themselves as to the operation of this new law. To get at the bottom of public opinion on the subject, the commission invited two representative peasants of opposing views to state their respective cases. Jacob Oreshin, of Simbirsk Province, stated the case against the present government, while Nikolai Alexievitch Bartholomew, of Saratoff Province, stated the case of the government in its relation to the food situation and the responsibility for the present famine conditions in Russia. Questioning was confined as closely as possible to crop conditions, grain production and disposition, and seeding problems, with a view to secure data on the existing shortage of foodstuffs and its cause.

Oreshin stated: "Before 1914 very few peasants owned any land. They held land from two sources, private landlords and the Imperial Government. For the former, rent was paid at the rate of about 12 (gold) rubles (\$6) per dessiatine (2.698 acres) per year. This rent was not paid in cash, but for every dessiatine rented of the landlord the peasant renting was bound to cultivate for the landlord 1 dessiatine belonging to the landlord, and for that was allowed a credit of 6 rubles annually, while the remaining 6 rubles he paid in doing hauling for the landlord. The peasant was free

to rent as many dessiatines on this basis as he could handle, but for every addition dessiatine he had, of course, an additional dessiatine to cultivate for the landlord. Few peasants, therefore, ever got as much as 10 dessiatines (27 acres), for if a peasant had capital enough to own agricultural implements to farm 54 acres of land he did not rent, but bought land with his capital and became a landlord himself, renting to others who farmed for him.

"The Government land was generally held by communes and distributed among the peasants to farm, sometimes as much as three dessiatines per family, taxes of 1 kopeks (35 cents) per dessiatine per year being paid for the land to the Government."

"After the October revolution, the government land for which the peasants had paid taxes previously remained the property of the state, but no taxes in money were collected, while the land previously belonging to the landlords became the property of the peasants who farmed it for themselves instead of half for the landlord and half for themselves.

"However, about September 1, 1919, a requisition of the grain was made by the government and enforced by the military authorities, of 60 per cent of that year's crop, which was a fair crop. A receipt for this grain was given. But subsequently, the military authorities of the Red Army operating against Denikin's forces in this district made a further, military, requisition of the entire remaining stock of grain for which no receipt was given whatever, leaving the peasants without seed grain for the following year's planting. The food shortage," Oreshin said, "was to be attributed to this action of the military authorities, for there was no seed to plant in 1920, and hence the 1920 crops was a failure."

Questioned as to where the seed came from to plant the grain at that moment being delivered at the elevators, Oreshin admitted that in the spring of 1920 the government had furnished seed grain to all the peasants—12 pounds millet per dessiatine and 24 pounds of oats for every family that had a horse. He also said that many of the peasants had hidden their seed wheat when the requisition was made, and had it to plant in the spring. He also said that when the military requisition (the remaining 40 per cent) was made in 1919, some of the peasants had resisted, and that the Red Army forces operating against Denikin had sent a detachment and punished them severely, and that this had been done to every inhabitant of Simbirsk Province, all of whom, he declared, he knew personally.

As this touched upon political matters, Bartholomew was given the floor. He stated: "The account given of the situation before 1914 was accurate. In September 1919, however, the government's requisition of 60 per cent of the grain was partly for military purposes, for the use of the Red Army fighting Denikin, and partly in accordance with a declared policy of the government to take even the seed grain each fall, distributing in the spring only carefully selected seed of the best quality of the kind that should be planted in each given area. This plan had not worked, however, as the peasants thinking that they were being robbed of their grain hid a great deal of it, some of them even refusing to deliver their grain. The military authorities for whom the grain, or at least a large part of it, was intended, thereupon came and took all the grain they could find, confident that the peasants had hidden enough for their spring planting which, in point of fact, was the case. This had nothing to do with the government's plan which had been to requisition all the grain from all over Russia, pool it and then redivide it according to the crop, furnishing selected seed for spring planting."

"Also, when first 60 per cent of the 1919 crop was requisitioned and later the remainder of the crop of that year as a punishment for failure to deliver the 60 per cent originally requisitioned, the peasants were not left destitute at all, as each family, except the very poor, had a reserve stock of grain. About 10 per cent of the population had reserves of about 3,600 pounds; about 20 per cent reserves of about 1,800 pounds, while the remaining 70 per cent had very little reserve stock, if any at all. But also in carrying out the requisition these latter were generally not touched. The entire requisition of 1919, aside from supplying a military necessity, was part of the government's plan to do away with the 'kulak,' the rich peasant, and it was the rich and not the poor peasant who was hit by the requisition as a matter of fact."

"This year the tax in kind together with the contributions required for the starving of famine district were amounting to between 15 per cent and 20 per cent of the total harvest. This tax was being generally paid without use of force of any kind to collect it, and was being brought in by the peasants themselves, without tax collectors or other expense to the State."

Asked how the central government could check as to whether the proper amount was brought in or not, Bartholomew said that it did not have to check—the local peasants themselves did the checking, and that any man who cheated was promptly reported to the authorities and his whole crop confiscated. But after 1919's experience the peasants were being very fair about paying their tax.

Asked as to what he attributed the famine, Bartholomew said that there could be no doubt in anyone's mind that it was primarily due to an unprecedented drought and to nothing else. That the other provinces and the central government were not in better case to assist the starving provinces was due to a poor crop of last year, which, in turn, was on account of the war—shortage of men to farm due to their mobilization, shallow ploughing due to shortage of horses required by the army, and finally shortage of seed grain due to the fact that so much grain was required to feed an army that could not produce.

SEPTEMBER 3, 1921.

At Rtistschevo the commission's train was held until 15.30 by an accident to the locomotive which required that another locomotive be sent from Saratoff. The town of Rtistschevo is a very small one, important only as a railway center, and the market of the town displayed only local products—fresh meats, vegetables, fruit, and melons. There were a number of refugees stranded in Rtistschevo between trains, seeking as each new train passed through to find some place on it. But as all refugee trains were crowded to excess their chance of escape seemed very small.

Between Rtistschevo and Taveljhanka the country traversed was well cultivated, and the Tartar villages with their thatched roofs seemed prosperous, with great strawstacks in every barnyard. At Arkadako the first show of force in the whole country from Syzran south was observed in the shape of a "remount train" with a 3-inch field piece mounted on a flat car. The lieutenant in charge of the gun and his wife lived in a little cabin built at one end of the flat car, and the lieutenant's wife was using the gun to hang out her washing to dry. The lieutenant stated that his train was used principally to run down bands of bandits of whom quite a number had remained scattered through the countryside after the defeat of Denikin's army.

SEPTEMBER 4, 1921.

The commission reached Povorino, the junction of the Ukraine-Siberian main line with the Riga-Tsaritsin main line, during the night, and through an error the commission's car was attached to a train bound for Harkoff. The train carried a large number of refugee cars crowded with families from Saratoff Province and was, it was stated, only one of a constant stream of refugee trains being sent with families from the Volga district to the Ukraine. From Kalmyk the commission's car was returned to Povorino, where it was compelled to wait until evening to proceed to Tsaritsin.

Povorino proved a junction town similar to Rtistschevo, but somewhat larger. There were also many more refugees here than at Rtistschevo. The market was well attended, but very little was offered for sale but vegetables and fruit and some fresh meat and eggs. A few troopers of Budeony's cavalry were stationed in the town; but it must be borne in mind that the soldiers of the Red Army to-day do duty not only as part of the standing army, but as constabulary, police, constables, and railroad and bridge construction gangs—indeed, as a little of everything, down to helping the peasants get in their harvests, when there is a harvest to get in.

A sergeant of Budeony's cavalry whose duties took him over the entire district informed the commission that while Saratoff Province and the countryside generally were in a very serious plight indeed for foodstuffs this year, if only they could get through this winter and get a crop in the ground next spring the recovery would be immediate. He stated that the crop in Saratoff was scarcely even one-fourth normal and that there was no chance whatever of the peasant population being able to last until spring without aid from other parts of Russia or from outside Russia. Even between now and January they could only last, he said, by eating bread of pigweed seed, millet, and sunflower-seed flour. As for the prospects for next year's crop, the sergeant pointed out that the whole Volga region was a region in which horses had always been used as draft animals and that these horses had to a large extent been requisitioned during the war for army use, with the result that most of the peasants had too few animals to draw their plows. Plowing, he claimed, was therefore very shallow—not more than 5 inches as a rule—and the crops raised consequently proportionately poor. This, he stated, was one of the reasons why the 1920 crop had been bad, and peasants of the surrounding country bore out this statement. Chairman Johnson, from his own observation of the fields passed en route, confirmed the statement as to the depth of the furrows.

The commission visited the farms of several peasant families that had moved into the villages along the railway from villages in the interior—a process which seemed to be going on in a very general way. They stated that there had been a good deal of banditry since the civil war, bands of cossacks who had served under Denikin or Wrangel having been organized, the members living in the villages among the villagers like anyone else, but assembling at night at a given point at a signal from their leader and holding up trains, robbing villages, and killing their victims, and then scattering to their villages

again, where the Red Army authorities found it most difficult to identify them. These bands, it was stated, pretended to be conducting a sort of Ku-Klux Klan crusade against communists and Jews, "executing" both when found; but the general conviction seemed to be that their operations were simple robbery, and that they claimed that their victims were either communists or Jews to secure for themselves a certain sympathy among the peasant population. In this they had failed, however, and many of the peasants living in small, isolated villages were moving into larger villages along the railways or main roads for protection, bringing their houses with them and reerecting them. By moving in this way the peasants also found themselves nearer the source of supply in such times as the present, when dependence had to be placed on the central government for food and seed.

At Povorino the commission attended one of the theatrical shows sent out from Moscow by the people's commissariat for education, of which hundreds are sent all over Russia in box cars carrying scenery and actors, stopping at the smallest villages along the railways and even going back into the country. At every railway station a club or "agit punkt" has been established, generally in the I-class waiting room of the station, fitted up with a library, writing room, newspaper room, and frequently a stage for performances either by local talent or by traveling shows sent out by the people's commissar for education, Lunacharsky. These "agit punkt" seem to be open to all who wish to attend; they are frequently very attractive and in the larger places have the walls decorated with very excellent mural paintings, generally symbolic of the interdependence of farmer and laborer. Posters are also hung in these club rooms of a general instructive nature, explaining eclipses, warning against drinking unboiled water, giving lessons in sanitation and cleanliness, and urging inoculation and vaccination, as well as presenting the facts as to venereal disease pictorially, so that even the illiterate can understand the lessons taught by the posters. Posters showing graphically the value of modern agricultural methods are very common.

The performance attended by the commission was preceded by a discourse by a soldier of the education section of the Red Army who explained briefly and very clearly, in simple language, the intentions of the Government on the following points:

1. The Red Army is being demobilized as rapidly as threatening pressure on the Roumanian and Transcaucasian frontiers would permit, and the soldiers having been helped to learn to read and write and to know something of scientific farming—rotation of crops, use of tractors, etc.—are being sent back to the farms to conduct a new war, that against hunger without victory in which the rule of the people in Russia is not safe.

2. The problem of transportation in Russia is one of the gravest, and a vast amount of machinery and railway supplies must be purchased abroad, as it is not as yet made in Russia, and for this money is necessary which can only be furnished by those who produce being willing to let the People's Commissars exchange the products of Russia for what Russia requires.

3. The process by which the People's Commissars come into possession of the products of the country to be exchanged abroad for what Russia requires is the payment of the tax in kind by those who produce; if this tax has to be collected, part of its product will have to go in overhead, but if the peasants themselves bring in their own products, all that is collected is available for the purchase of the requirements of the country. As the peasants who have received additional land are to be permitted to retain this land for nine years, after which a decision will be made by the whole people as to its disposition, they should be willing to bring in their own taxes without the expense of tax collectors.

4. In addition to purchasing the railway supplies essential to transportation, without which the peasants can receive nothing from the centers of supply, it is the intention of the Government at once to purchase tractors and improved agricultural machinery, of which a considerable stock has already been purchased and delivered, as well as the clothing, shoes, etc., which the peasants require. These will be promptly delivered to the peasant communes.

5. In order to facilitate the people of Russia getting the little things that they require, and especially to enable the rural districts in which it has been impossible so far to establish cooperatives because of difficulties of transportation and the vast number of them, the central soviet has decided to permit trade in a small way; but it will put down profiteering and exploitation with a stern hand. It is to be borne in mind that the trade is for the convenience of the many and not for the enrichment of the trader by the exploitation of the many.

6. It is unthinkable that when millions of Russians are starving anyone should dream of hording food supplies which so far as they go must be shared equally with all the brothers of Russia, or that anyone should conceive of taking a profit out of the suffering of those who have been stricken by famine. The Government interpreting

this feeling will deal mercilessly with those who seek to horde food or to profiteer in food supplies.

7. The requirements in the way of machinery, clothing, etc., which Russia must, for the time being, obtain from abroad will be furnished by the foreign countries who have reopened trade relations with Russia only against payment of what Russia has that they require. They are inspired by no altruism in reopening trade relations, and the people of Russia must bear in mind that what these foreign nations require in return for what Russia obtains from them must be produced by Russia. Russia is the richest country in the world, and whatever the foreign nations may demand can be produced by the Russian people. They must set themselves to producing the articles required to exchange for what Russia needs, or what the Russians now lack will not be forthcoming.

On the completion of this address, the commission was asked to say a few words in explanation of its presence in Russia and the famine district, and Mr. Connes did so. The announcement that Mr. Hoover had taken the initiative in proposing to the American people to aid the children and the sick of Russia was met with cheers. At the end of Mr. Connes's remarks, the "International" was played by a nine-piece band which accompanied the theatrical troupe, all standing.

The comission left before the play was finished. It seemed so far as observed to be a production of average excellence depicting the trials of a peasant girl in a bourgeois family, rather after the manner of many of the best mid-Victorian school of English dramas. It may be noted that there was little or no communistic politics in the speech delivered and none in the play. Indeed, the word "communist" was never used, the central government being referred to throughout as the "res publica," and all the program of the government being termed "socialistic" and not "communistic."

At Filinovo and other stations along the railway towards Tsaritsin, during the night, hundreds of refugees sought to storm the train in the darkness, to climb upon the tops of coaches and on bumpers, couplings, brakebeams, and steps. Several times in the darkness, mistaking the commission's car for an ordinary car, crowds tried to enter and take possession of it, beside themselves in their desire to get transportation away from the famine area, and it was with difficulty that the small number of Red soldiers acting as station guards were able to control these maddened folks.

SEPTEMBER 5, 1921.

The route of the commission lay back into the famine area again, Povorino having been in eastern Voronejh, but within a few miles from Tamboff, Saratoff, and the Don Cossacks' Provinces. It was immediately noticeable how enormously the exodus of peasants from the famine provinces had increased since the commission had previously passed through the Don Cossacks' (Voronejh and Tamboff) Provinces, August 18-21, inclusive. The same destruction due to the civil war which had been remarked in the Donets Basin was increasingly evident as the way of the commission drew towards Tsaritsin, and the number and excellence of the temporary repairs to railways, bridges, stations, and water tanks that had been executed was striking. At Artcheda the bridge over the Medveditsa River had been destroyed but repaired with wood. Skeletons of burned freight cars by whole trains lined the sidings and lay beside the railway embankment every few miles. The land passed through was parched and dry, and the roads were dotted with wagon trains of trekking peasants. At Povorino in a few hours the commission had counted 83 wagons, carrying some 400 people, leaving the famine area. This number now steadily increased, and oxen, camels, and horses were impressed into service to draw the fleeing people from the stricken district.

At Lokh the commission again witnessed the stripping of mulberry or locust trees of their bark by refugees who ate the bark. At the stations along the road no food was to be obtained save watermelons, and the hundreds of refugees on the commission's train purchased these as their only food. At every station increasingly large groups of refugees were encamped, who had come in from Saratoff Province, for the most part, and were waiting at the railway stations to be able to entrain for Tsaritsin. The bridge near Ilovlya had had its pillars blasted out by dynamite and an entire span destroyed but was being repaired, and a temporary bridge carried the trains over the river. All repair work was being done with wood, and very ably. Near Ilovlya, also, trenches and shell holes dating from the fighting between Denikin and the Red Army were seen in all directions, while the skeletons of 50 burned freight cars, which had been destroyed by the Denikin forces before their retreat, merely marked the beginning of a long series of similar scenes of destruction all the way to Tsaritsin. The country took on the aspect of a desert, and water became rare. Every water tower along the railway had been razed and most of the stations gutted by the

retiring Denikin army. Where the Don River approached the railway, encampments of refugees began between stations, as the towns were no longer able to hold the refugees seeking escape by train.

On both sides of Kachalino bridges had been destroyed, while at Kotlooban the water tower was burned, and farther on toward Tsaritsin the whole length of the railway strewn with the wreckage of burned freight cars, oil-tank cars, bridges, stations, signal equipment, and other railway material rendered useless by the defeated army of Denikin. And with all of this wreckage of material things holding back the reorganization of the transport system of Russia there was jumbled the human wreckage of villages of the famine area, with little or nothing left, camping beside the tracks, escaping from the menace of starvation.

Tsaritsin presented the climax of all this work of destruction from which it will take Russia a very long time to recover. The city has the air of a place which has been looted. Doors are replaced by wooden boards, nailing up the entrances of buildings and shops broken into, windows are smashed, dwellings wrecked. There is not left in Tsaritsin even the usual "commission store," at which the last personal trinkets of the well-to-do inhabitants are offered for sale. The city is gutted. Factories are burned and the machinery half-dragged out of the buildings and smashed. It was evidently the intention of the evacuating Denikin army to render the victory of the Soviet forces an empty one in taking Tsaritsin. In this it had plainly succeeded.

About the station and along the water front the commission witnessed a concentration of refugees in a state of want and starvation nowhere equaled. Whole train-loads of families gathered in the railway yards awaited movement, while on the station platforms, in the station building, and for blocks about the station, thousands upon thousands of human beings were gathered in incredible, hopeless confusion. Every few yards the commission came upon children indescribably emaciated, palpably dying, or sometimes even already dead. Ghosts of men scarcely recovered from cholera or fever of one sort or another staggered about with feet swollen to immense size or lay inert on the flagstones. It was difficult to make one's way through the swarming mass of humanity which had got so far on its way from the famine area only to find itself halted by the limited means of transportation available to take refugees further.

These refugees were not permitted by the local authorities to flood the city in which bombardment and fire had destroyed so many houses that there was not sufficient room to house the inhabitants properly. There were therefore two concentration camps, that at the station, which was the worst, and a camp along the water-front of the Volga, which was similar to that at Samara. These latter were people from the upper Volga who had come down by river steamers as far as Tsaritsin, and who, realizing that there was no possible means of rescue farther south, in Astrakhan, now hoped to be sent elsewhere by rail.

Little of anything was for sale in the Tsaritsin markets, of which there are two, though one at least of the markets is very extensive. There was considerable flour on sale, coming from the Kuban, but the price of 4,444 rubles per pound (English), was, of course, prohibitive. Volga fish sold at 3,425 rubles per pound, while black bread was from 3,500 to 4,000 rubles for 14 ounces, and white bread from 6,000 to 6,500 for 14 ounces. Few natives and no refugees could pay these prices, and therefore fell upon the local Soviet for support. The iron works, formerly a French property, were going, but where they ordinarily employed between 15,000 and 20,000 workmen, were employing only about 4,000, as the commission was informed; the local Soviet was unable, with the refugee problem on its hands, to furnish workers' allowance of bread to more workmen. Those who were working were plainly ill-fed and it was said that frequently they dropped beside their machines from sheer weakness due to hunger. This is quite credible.

Representatives of the Soviet of Tsaritsin Province, headed by the chairman of the Tsaritsin Province Soviet, Ivan Maximoff Marosoff, a workman of high type, educated, intelligent, and very earnest, waited upon the commission in its car and placed any information which the commission might require at its disposal. Marosoff stated:

"Tsaritsin Province contains approximately 1,500,000 inhabitants, the great majority of whom are peasants. There are, however, between 98,000 and 100,000 laborers belonging to labor unions. Of this latter number only about 15,000 are now receiving any food allowance at all from the Soviet, the allowance being 13 pounds per month, of black bread, and being confined strictly to workers, actually engaged in labor. No others receive any allowance, even though registered as willing to work, as the Soviet does not dispose of enough bread to feed more laborers. Could the Soviet furnish the necessary food, there are enough workers eager for employment to put every factory remaining undestroyed into operation."

"As for the peasant population, last year 2,967,800 acres of land in Tsaritsin Province were under cultivation, mostly planted in rye. Of this, 1,079,200 acres were planted in the fall of 1920 while 1,888,600 were planted in the spring of 1921. Out of the fall planting almost the total crop was burned up by this summer's drought; the peasants will be lucky to get 5,400 tons of grain from the 1,079,200 acres, though in good years the same land would produce 792,000 tons. From the spring planting of 1,888,600 acres, in wheat and rye, they hoped to do better—perhaps as much as 57,600 to 59,400 tons, though as the harvest was not yet all in, this was rather hope than expectation. Twenty-five thousand and two hundred tons of this would be used for fall planting, leaving about 33,000 tons for food until next harvest and seed for next spring's planting.

"But this would only mean some 755,440 acres planted this fall, leaving the planting 21,360 acres short of the total planted last year, and no seed in sight to plant that additional amount in the spring. Moreover, at least 3,000,000 acres ought to be planted next spring if the country was to get out of the hole in which two bad years had put it. Roughly, then, some 90,000 tons of seed grain would be required for spring planting—and there would be on hand only 33,000 tons both for food and seed—a deficit of 57,000 tons for seed alone, to say nothing of food. At half a pound of grain a day per head, not counting refugee feeding, 90,000 tons of grain would be required to feed the population for 8 months to come, making a total deficit of 147,000 tons of grain for Tsaritsin Province alone if next year was to see any recuperation from the famine of this year.

"On the other hand if 1,400,000 dessiatines (3,777,200 acres) could only be planted in fall and spring together this year, a good season would give approximately 1,000,000 tons return.

"In this whole situation there is only one hope: Help from without the province. Possibly the peasants of the province may themselves be keeping back some 3,600 tons of seed grain for spring planting, and holding on to it by eating bread of acorns, 'oakseak,' dried cherry leaves and dried squash flour. The Russian peasant will, of course, starve himself to keep his seed if it is possible at all. But 3,600 tons of seed is not a drop in the bucket. Moscow has promised another 1,800 tons of seed; 3,600 tons of seed have been obtained by a mission of peasants who have gone about to talk with the peasants of the more fortunate provinces and ask help; 6,840 tons have been promised, after January 1, 1922, by the Ural and Kursk Provinces. All of this would make a total of 15,840 tons, if all of it comes in—a deficit for spring planting of 74,160 tons if 3,000,000 acre are to be planted as should be done, or of over 58,000 tons of seed grain if even last year's acreage is to be sown.

"On the other hand, supposing some way were found to feed the people of Tsaritsin Province until next harvest, so that the whole 33,000 tons of grain left after the meager fall planting of this year and the 15,840 tons which is all we have in sight from any source in addition could both be used for seed, we should still be almost 25,000 tons of seed short of being able to plant last year's acreage, and over 40,000 tons short of being able to plant what we should have in the ground for next year, if we are to get out of the hole.

"You may be certain that we have thought it over in every way and by canvassing every possible combination, and we can see no way by which the 1,500,000 people of Tsaritsin Province are going to be able to live beyond January 1 or plant any sort of crop for next year. We had hoped to be able to plant 13,490 acres in millet this fall, from seed that was promised us from Moscow; but the seed has not come, and we have no illusion that it will come now. We are not criticizing, because we know that the famine is general and that Moscow can not make seed grain or food grain where there is none. We are simply stating a fact, namely, that on January 1 next there will be no food for the 1,500,000 inhabitants of this province and no prospect of any."

Asked about the potato crop, Marosoff replied that it was not the custom in Tsaritsin Province for the peasants to plant more than one-fifth to one-seventh of a dessiatine in potatoes, and that not over 19,800 to 26,000 tons of potatoes would be expected in any case, for the whole province—scarcely enough for 14½ pounds of potatoes per head of population.

Questioned as to the number of peasants leaving the Province, Marosoff laughed ruefully and said that far more were arriving every day by boat and train than were leaving, and that soon Tsaritsin would be the most populous Province in Russia. He stated that the Moscow government was taking measures to prevent a general exodus of peasants without purpose or plan, as that would result only in the quicker starvation of the peasants themselves. A decree, he said, had been issued calling upon the peasants who felt that they should leave to wait until their turns came, but in many instances these decrees did not reach the peasants, and in others, seized by panic, they refused to wait. Some, he said, travel 600 and 700 miles by road, in wagons, with all their families and a few belongings. Frequently their horses die and they are left stranded by the roadside, among strangers, with nothing to eat and no means of obtaining

anything, in far worse case than if they had remained at home. Many thousands of these have found their way to Tsaritsin Province, and are undoubtedly dying in large numbers. But we have no record of these, he continued. They move about constantly and we have no way of keeping track of them.

"In the past two weeks," Marosoff went on, "we have had official reports of between 100 and 200 dead of starvation. This is, of course, only inhabitants of the Province—not refugees. In June, July, and August we had an epidemic of cholera, at its height in July. During that time there were in Tsaritsin some 600 registered cases of cholera and starvation together, of which 40 per cent were fatal. In the Province as a whole there were 1,250 cases, of which 45 per cent were fatal. Tsaritsin has a normal population of 100,000, but there are to-day at least 10,000 refugees in the city. There is not enough food to feed the city population alone, much less the refugees."

"There are 20,000 orphan children in the Province of Tsaritsin—5,000 in the city—the children of victims of war, typhus, cholera, and so on. These children are under the People's Commissariat for Education, and a special provision is made for them. They get 7 ounces of bread per day, 16 grams of sugar, and meat or fish soup two to three times a week, whether anyone else has anything to eat or not. But there is provision for these children only up to January 1; after that there is no certainty that they will have anything to eat at all."

"The education program, generally, has been hampered a great deal by the lack of food, as there is not enough bread to give teachers their food allowance, so that the number of teachers has to be cut down. This is the last category to be cut down however, except such essential work as railway service."

The commission laid before Commissar Marosoff its plan for the supply of the Volga Provinces by using Tsaritsin as a point of distribution of supplies shipped in by the Black Sea and asked if its estimate of 3 trains daily of 50 cars each, each car loaded with 18 tons of grain were correct. Yereshoff, president, and Starenko, secretary, of the railway trainmen's union of Tsaritsin were called in. They declared that with the larger locomotives this was possible, whether the trains came from Novorossisk or Rostoff. From Kalech-Donskaya, on the Don River, to Tsaritsin, 5 trains of 50 cars each could be readily handled, in addition. Thus from either Rostoff or Novorossisk 2,700 tons could be handled daily by the all-rail route suggested to Mr. Hoover by the commission in its cable of August 22, 1921, while in addition, by using barges on the Don from Rostoff and trains from Kalech-Donskaya to Tsaritsin, 4,500 more tons could be handled, daily, a total of 7,200 tons per day.

Questioned as to the capacity of the Volga River steamers, it was stated that there was tonnage to handle far more freight out of Tsaritsin than could ever be got into that point by rail and barge.

The two representatives of the Tsaritsin railway workers union, with a membership of 6,000 within a radius of 250 miles of Tsaritsin, then stated that the union held 1,350 acres of land for the use of the railway workers in their off time in growing their own foodstuffs. This was run by the union as a communistic holding and cultivated by one second-hand, old-style heavy English tractor with 12 plows. President Yereshoff said that the union could easily cultivate 5,400 acres of land if they had proper farming and gardening tools, and he asked whether the commission could forward an appeal from the railway workers union of Tsaritsin to the Railway Brotherhoods in the United States to send them the farming and gardening implements they required.

In this connection, Commissar Marosoff stated that Tsaritsin Province had 20 tractors, mostly English, of 20 to 30 horsepower, which were sent about the Province for the use of the communes. A machinist belonged to and was sent with each. He said that Tsaritsin Province could use twenty times that many tractors.

After an inspection of the city, the waterfront, the markets, the railway yards and one of the orphanages, the commission embodied its conclusions in the following cablegram which was sent to Moscow to be delivered to Mr. Charles S. Smith, correspondent of the Associated Press, or in his absence to be forwarded to the Associated Press in New York by wireless:

TSARITSIN, September 5, 1921.

NARKOMINDEL, Moscow:

Following for Smith, Associated Press correspondent: "Tsaritsin, September 5, American Near East Relief Commission reached Tsaritsin morning after investigating conditions. Kazan, Samara, Simbirsk, Penza, Tamboff, Saratoff, Astrakhan, Don, Kuban, Stavropol governments and Gorsk Tepublic principal grain producing sections Russia outside Ukraine. Members state conditions famine district grow worse as proceeded down Volga, where in Samara seriousness situation lies in certainty that without relief hundreds of thousands must die during winter. Johnson, chairman commission, declares: 'In Southern Volga Provinces, where soils poorer, starvation already set in. Even in Penza and Voronejh Provinces, which touch Volga, we

observed constant streams peasant families trekking westward. Through one village Eastern Voronej 83 wagons and 400 persons passed along one road in few hours. Every road from stricken land same, and while Government doing utmost organize transportation those wishing leave famine country to districts where food may be obtained. It is materially impossible control movements peasants this sparsely populated land. Moscow out sending agents every reachable village explain situation to peasants in public meetings, promising furnish all foodstuffs obtainable and begging peasants stick it out, and be on job plant crops next year. Also sending deputations peasants from every county in famine country to other States where surplus to solicit contributions grain for seed. By this method peasant to peasant Tsaritsin Province alone already secured enough to plant 100,000 acres, provided under pressure hunger this seed grain remains unbeaten through winter. Commission's survey, which covere not only Volga Provinces but neighboring provinces wherfrom any local relief might be hoped for, justifies statement that after January 1 what is famine now will be wholesale starvation. Only immediate action on large scale can prevent hundreds of thousands perishing.

"If surplus grain now going begging in Bulgaria and Constantinople could be purchased and shipped Rostoff without delay by employing rail route Likhaya and Voljskaya, three trains daily could deliver 2,000 tons at Tsaritsin, empties returning Rostoff via Tikhorietskaya and Krylovskaya. By employing barges on Don until it freezes, 9,000 additional tons would be delivered Tsaritsin daily. With immediate action Volga steams could distribute grain such centers along river as Cherbyyar, Kamystchin, Saratoff, Syzran, Samara, Simbirsk, and Kazan before icebound, thus saving situation. Once peasants see that practical measures have been taken get food to them, exodus will cease and danger depopulation Europe's vast granary will stop. At Filonovo refugees from Saratoff Province tried storm commission's car, climbing roof, clinging windows, endeavoring escape from famine district. Ten thousand refugees now crowd Tsaritsin with no place to go, while local population, on short rations, unable to feed them. Children, dying daily of starvation, were living unsheltered on station platform or under boxcars or scattered along river front, who have come to city by train or boat hoping find food. Tsaritsin Soviet now feeding 20,000 children in orphanages, 7 ounces bread and 16 grammes sugar dairy, and soup thrice weekly when meat can be obtained; but head local Soviet states this provision can last only until January 1, when all foodstuffs will be exhausted. Out of 100,000 workmen, Tsaritsin Province, only 4,000 now employed in factories and only 15,000 receiving bread allowance—13 pounds per month. In Tsaritsin city, past three months, 600 cases cholera, 40 per cent fatal, while in Province 1,250 cases, 45 per cent fatal. During past fortnight 200 cases death from starvation officially reported, Tsaritsin Province. In market black bread largely made acorn flour selling 1 cent an ounce. Throughout Tsaritsin Province havoc wrought by civil war everywhere evident. Bridges upblown, water tanks burned, railroad damaged, thousands box cars and oil cars destroyed, while Tsaritsin itself has appearance sacked city.

"Despite these conditions, spirit of people unbroken. Peasants in districts where crop has been fair bringing in grain to central elevators in payment new tax in kind without compulsion, and in famine districts living on bread of acorn flour and bark mulberry bushes, while jealously guarding till last meager store of seed which they expect to plant next spring." Weinstein, if Smith in Moscow, give him this cable; if not, please forward it wireless to Associated, New York.

HIBBEN.

SEPTEMBER 6, 1921.

The commission's route lay south through Sarepta and into Astrakhan Province. The country became rapidly dry desert while evidences of the long struggle of the civil war multiplied—entrenchments, barbed-wire entanglements, artillery positions, shell holes, stations pounded to wreckage by bombardment or gutted by fire, and thousands and thousands of freight cars destroyed all along the road. Occasionally an armored train was passed—notably at Semychnaya—battered and bullet-marked, but still doing police duty against the numerous bands of highwaymen and bandits infesting this sparsely settled country, holding up trains and robbing villages, as in the southwest of the United States a generation ago.

An officer of the Red army informed the commission that some time ago the Central Soviet at Moscow had proclaimed that all such bands surrendering before September 1 would be granted full amnesty and incorporated in the Red army, but that all bands failing to surrender by that date would be treated drastically. He said that the band of a famous brigand, Antonoff, had just been rounded up according to report, and that

Antonoff himself had been sent back for trial; he would unquestionably be executed, he stated. He added that this band, like many others made up of former Denkin or Wrangel soldiers who found it difficult to return to the pursuits of peace, had committed many murders of persons robbed in the pretext that those executed were either Jews or communists. But while the Russian peasant was easily roused against the Jews and was at least lukewarm toward communists, these bands had forfeited the popular sympathy they courted by robbing peasant villages, raping women, and killing those who were well known to be neither Jews nor communists.

Many refugees crowded the very long train to which the commission's car was attached, and the train itself was but one of a number being sent as rapidly as available locomotives permitted southward to Tikhoretskaya, at which junction with the railway into the Kuban, Stavropol, and the Gorski Republic they were dispatched in various directions to districts where the crop had been at least sufficient to maintain the local inhabitants. All along the way every road passed was lined with caravans of fleeing peasants, sometimes in village groups, sometimes merely by families, in wagons drawn by camels, oxen, or horses, or even afoot across a dry and desolate land.

SEPTEMBER 7, 1921.

The progress of the commission's journey through this country, where lack of irrigation left the land a desert, while the presence of a little water showed trees and great fertility, was slow. Stops were long to enable the several hundred refugees on the train to purchase the only available food—watermelons—and to attend to their other wants. By morning the country (Stavropol Province) was characteristically Cossack—the towns with very broad, dusty streets, straggling and with low, thatch-roofed houses. The fertile fields cultivated with great profit to the farmers. In Peschanokopekskaya (Stavropol) every farm seemed to have its great strawstack to mark the wheat that had been harvested, and there was a wealth of cattle visible. Hay, however, seemed the principal crop.

The station at Tikhoretskaya presented the most remarkable spectacle that the commission had yet encountered. Here was the definite evidence that the Moscow Central Government had put into operation an intelligent plan of evacuation of peasants from the famine districts to sections of the country where more food was available. For Tikhoretskaya is in the Kuban, and while the crop in the Kuban and even more so in Stavropol had not been normal by any means it had been far from a famine, and in this relatively more prosperous country refugees from all the Volga provinces, to whom for lack of transport and other reasons food could not be sent, were being sent to the food they lacked. The extensive railway yards were filled with trains and more were constantly being made up and sent out as fast as trains ready to depart were dispatched, every train approximately 50 cars long and every car crowded from brakebeams to roof with refugees. Most of these refugees were being supplied with a sack of grain per family before they were sent out, and the trains were being sidetracked and the refugees disembarked at stations all along the way in the Kuban, Stavropol and the Gorski Republic, where every relatively prosperous village was being compelled, by the actual presence of helpless refugees, to take a share in the burden of meeting the great famine problem.

Tikhoretskaya useli is a typical Cossack village, very small, really, but covering an enormous amount of ground, stretching along the railway for miles and back into the country as well. To this straggling, overgrown country village farmers from all the country-side about had flocked to market. At the market food of many kinds was offered for sale, and tables were set for meals at which bread, fowls, meat, pastry, vegetables, and fruit were to be had—more food than the commission had seen anywhere in Russia. But aside from food and homemade articles the market afforded little to purchase. It was evident that most of the people had been drawn to the market by curiosity and a desire for social intercourse rather than for the business of buying and selling.

Tikhoretskaya boasted a gubrota, or news bulletin, as do all Russian towns of any size, where the news is posted up as it is received by telegram. There was also a very clean-cut and well-stocked public library, in addition to the library and reading room in the station "agit punkt." At the latter a young artist was busily engaged in painting, very ably, a mural decoration illustrating, for the information of the drivers, the task of the city worker. It was in distinct contrast to the old-fashioned walls of the usual Russian station waiting room to see really good paintings being painted before the people.

In the railway yard were also 1 an instruction train with women teachers and school cars and an agricultural-instruction car with various machinery for demonstrating and an exhibition car; 2 an antityphus sanitary train, with dispensary, doctors' offices, and all the small equipment for hospital work, as well as the usual

th car, with its hot room for steam baths, which accompanies all military trains of the Red Army.

All platforms, warehouses, empty box cars, and space between tracks in the railway yards of Tikhorietskaya, the station, and the surrounding open spaces—several acres of space, on the whole—were filled with refugee families living packed together in the utmost enforced intimacy. There was a greater gathering of refugees at this point than at any other one station the commission had seen. On the whole, there must have been at least 100,000 people about the railway yards, all waiting transportation elsewhere, where food was.

The following message, drafted on the journey from Tzaritsin, was dispatched from Tikhorietskaya:

AKASAI, ASTRAKHAN, September 7, 1921.

NEAR EAST, New York:

Commission now completed survey on ground situation. Following Russian Provinces affected by Famine: Kazan, Samara, Simbirsk, Penza, Tamboff, Saratoff, Tzaritsin, Astrakhan, Don, Kuban, Stavropol, and Gorsk Republic. As moved southward conditions have grown worse. Hundreds thousands families quitting famine district, having sold all belongings, trekking in wagons until horses die starvation; barefoot, bundles on backs, and finally, having thrown away all remaining possessions save rags wherein stand, gather at railway stations in vast mobs seeking board any passing trains, where, heaped on top cars or clinging any handhold, riding as possible, when, falling off, walk to next station and repeat performance. Has seen one movingest experiences commission to hear nightly screams old women, iris, and children as, wearied to limit endurance, loose their hold one by one and litter to ground in darkness from moving trains. Thousands families daily being broken by separation members this fashion, without slightest hope ever meeting again. Cities and towns so short food themselves that even workers only allowed 13 pounds bread monthly self and families. Refuse permit hordes refugees invade municipal area, and about every city town, especially along Volga bank or at railway stations hundreds refugee families camped in open so close scarcely possible move among them. Sanitation under these circumstances nonexistent, and danger epidemic gravest. Members commission walking among these families come upon dying children at every turn, mothers trying nurse infants on diet watermelons, with drunken, empty breasts, and horrible cases incredibly emaciated frames with grotesquely swollen abdomens or limbs owing poor circulation due inanition. All these tree helpless humanity are field ripe death's sickle moment winter insets. In Kazan, Simbirsk, northern Samara, nights already cold enough for slight frost, and refugees compelled huddle together in groups for warmth. Shoes, stockings don't exist; women generally dressed single garment; children frequently none at all.

Every credit due Government for its efforts handle situation. Has definite practical plan, transfer populations of worse stricken districts to parts Russia, Siberia, where no surplus exists in orderly fashion, keeping communities, families, together with few immediate repatriation moment crisis passed, and cultivation may rebegin, which outcarrying with all means its disposal. But panic among widely scattered villages and general exodus; peasants from districts, where should remain, thwart attempts Government restrain migrations. Under Moscow, orders local soviets collecting tax of grain from all peasants, having any surplus whatever and distributing same to famine areas. Poster and personal appeals to more prosperous peasants, not to horde grain and announced determination; Government deal summarily with orders, had effect gaining fullest cooperation, everybody Russia in trying limit disastrous famine. But commission convinced Russia alone utterly unable handle food problem. Even if central Government able levy and distribute all available grain sources as planned on paper and as earnestly endeavoring do January 1, will see hundreds thousands if not millions people Russia dying not only from starvation, but from exposure. While some these will be those refugees who have unwisely left homes, between 60 and 70 per cent will be those who have courageously stuck to soil and lived a year on bread made flour acorns, swamp grass, squashes, cherry leaves, and bark tea, so as to keep enough seed sow next spring. This commission ignores what may be intention American Government or people in face certain disaster impending millions solid hardworking people whose losses in war were appalling and who have once been unmercifully scourged by devastating civil wars and now as last trial face through no fault of neglect, their own wholesale death from starvation and disease. At estimation every member this commission it is worth while for America alone need be to take whatever steps necessary save this sturdy race from calamity which would be not Russia's loss alone but world's. Million and half tons grain will re-establish Russia as Europe's granary and save country and perhaps all Europe from ca-

tastrophe whose ramifications it is impossible foresee. Sign names all members commission above and give press. We have first information and photographs coverit situation constituting material valueablest report which Hibben can put shape in mediate publication during return voyage. Strongly urge he be ordered Ameri overseer publication and publicity incidental thereto.

NEAR EAST RELIEF COMMISSION.

The same evening the commission left Tikhorietskaya on a train of 50 cars, most occupied by an unit of the Red Army, but with three carloads of prisoners who ha formed the band of the famous brigand, Antonoff. They had already been condemne and were being sent to Petrovsk to forced work in the fisheries. They were a rather downcast looking lot, with all the glamor of banditry gone from them, types of soldier of fortune who had fought with Denikin, then Wrangel, and then for their own account for the loot there was in it, from day to day, with nothing laid by. As prisoners they were allowed a very large measure of liberty and seemed to come and go almost as they wished; but as with the discipline of the Red Army appearances were deceitful, for very close watch was kept on them. There were 2,000 in all and included others besides bandits.

The military train included a club car, bath car, library car, and even a barber shop. The club car was furnished with a piano and a large gilt mirror and gilded arm-chair evidently taken from some palace. All of these cars were, of course, ordinary box cars.

SEPTEMBER 8, 1921.

The commission's train proved a very slow one, and frequent stops were made due to the movements of refugee trains being stopped at various points along the line to drop thier human cargoes and return to Tikhorietskaya to secure more refugees. At Konokovo there was a large camp of refugees of this sort while at Bogoslovskaya a similar camp of refugees newly arrived, pathetically apart from the village life, the villagers regarding the newcomers askance. At Nevinnomysskaya one of the large buildings near the station had been turned into an orphanage and hospital for children.

Throughout this country there were not only no indications of famine but on the contrary a general appearance of prosperity. In the estimation of the commission, the Moscow authorities had acted wisely in sending refugees from the famine district to this section, for, while they may by their presence pinch the local inhabitants somewhat during the winter, neither they nor the local inhabitants need starve.

SEPTEMBER 9, 1921.

A cold rain had set in and the refugees both on the trains and along the road were suffering greatly from exposure. It was merely a forecast of what would be the case of these wretched people when winter sets in. All are lacking in clothing. The insufficient clothing of the refugees is one of the things which struck the commission most forcibly throughout its entire survey. Few have shoes, fewer still stocking. The clothing is the flimsiest of cotton for the most part, and very worn at that. Many start their journey with blankets and extra clothing, but long before the end of their wanderings this is lost, and when they arrive in the country north of the Caucasus Mountains, where the winters are severe, they are without adequate clothing of all kinds to face the inclemency of the weather. It is the opinion of the commission that as many or more of these unhappy people will die of exposure as will succumb to hunger. It would seem possible to make a general appeal in the United States for second-hand clothing to be sent to these people to aid them through the winter, but if this were done it would have to be done immediately if it were not to be vain and indeed in many instances now the refugees are too scattered to be reached with this or any other kind of help.

At Mineral Water, formerly a fashionable watering place frequented by wealthy Russians, with a station still decorated with palms growing in pots and a vast, pretentious waiting room, now a club room, a center of education had been established where a poster campaign was being waged against cholera, typhus, uncleanliness and careless farming methods. This latter, added to the instruction being given the peasants through the agricultural car on the education train that the commission had seen at Tikhorietskaya, where not only a certain amount of machinery for farming was demonstrated but selected seed was distributed and tracts on proper farming given out, constituted practical evidences of the efforts of the Government to improve agricultural production. In addition there were posters against the type of farm profiteers known as "Mischnistschniki," of whom the commission had seen quite a number on its journey—men and women who clutter the trains with huge bundles and baskets of foodstuffs produced in one district which they take to other districts.

where the production is slightly less and the price consequently slightly higher and make a profit on the sale. This profit would in most cases amount to nothing if those who are engaged in this practice had to pay fare or freight for the products they carry, but as no fare is collected on these trains and no freight charged, by mingling with the refugees these profiteers on a small scale clutter up the traffic and strain the transportation system for a few pennies gained in sharp practice. Against this procedure the poster inveighs by showing two pictures of a train: (1) A train crowded with people with huge baskets riding on the tops of cars and on the bumpers and falling off, with the caption "Thousands of mischnistschniki are traveling by every train carrying more than 2,000 poods of food (36 tons), risking their lives and clogging traffic"; (2) A train with a very large number of cars and only one official representative of the cooperatives, with this legend, "One representative of the cooperatives can take 2,000 poods of food in two cars and bring supplies to thousands of workers who now are breaking their backs to obtain what they require."

At Mineral Water a branch line runs to Piattigorsk, while at Georgievsk another runs to Alexandrovsky and Krest, the latter two in Stavropol Province. So far these seemed to be the main points of distribution of refugee trains, and beyond Georgievsk refugees did not appear to have been disembarked, locally, as yet, though there were through refugee trains bound into Daghestan and Azerbaijan. The country east of Georgievsk also showed less cultivation—Ekaterinogradsky and Chernoyarskaya and Mozdok being set in vast level plains only a very small part of which had been plowed, though there was every indication that with the use of tractors the whole country could be made to produce on an immense scale. This country is at present the Autonomous Gorsk Republic, with its capital at Vladikavkas, and here as in Daghestan, Azerbaijan, Georgia, and Armenia the extent of autonomy accorded the local inhabitants is real and considerable, with the result that they do not profit of the energy and organization of the Russian soviet government.

Petrovsk and the Caspian Sea were reached by the commission during the night.

SEPTEMBER 10, 1921.

The way traveled lay along the shore of the Caspian Sea. In the towns passed there was ample evidence of the ferocity of the civil war with the Denikin army in the destruction of buildings, railway stations, and at times entire villages both by bombardment from the Caspian and by landing parties from the Denikin fleet, which frequently razed the coast towns. In addition to this damage, as yet unrepaired, save the necessary temporary repairs to the railroad, which had been skillfully executed, the country showed a very meagre and primitive cultivation, producing evidently only sufficient for the local inhabitants to live upon. The plowing was poor, the soil dry, and the farm products for sale in the towns limited almost entirely to grapes, watermelons, and fruit.

At Hoodat and other stations the signs on the stations are written in Turkish characters as well as Russian characters, and there is ample indication that the Mohammedan control of the Autonomous Socialist Soviet Republic of Daghestan is complete. It does not seem to have worked any improvement in the condition of the people.

It is obvious that a very large number of people—perhaps as many as 200,000—could be transferred to the district between Petrovsk and Baku along the shores of the Caspian, as a temporary measure to get them out of the famine districts of Russia. But it is also evident that if this were done, while the milder climate might prove less fatal to any refugees so disposed, there would be no food locally available for their maintenance, and that as none could be transported to this region by the Volga and none is available in Transcausia, in which district, or at least the Armenian portion thereof, there is a famine as severe as that in Russia proper, the only possible sources of supply for refugees so disposed would be (1) Persia; (2) Bokhara; and (3) Turkestan. Bokhara as a source of supply would require a railway haul of 788 miles from Bokhara to Krasnavodsk, and then sea transport to Derbent across the Caspian, while the haul from Samarkand, in Turkestan, would be 934 miles by land to Krasnavodsk.

Under these circumstances the west shore of the Caspian does not present itself as a very practical region to which to send refugees from the famine district, despite the fact that transportation thither would be less onerous, from the fact that the Volga could be employed to Astrakhan and thence Caspian ships to Derbent, thus saving railway transportation entirely.

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At Kyzyl-Booroon two "mischneetschniki" (itinerant food speculators) were caught by a Red Guard traveling on the rear end of the commission's car carrying seven hundredweight of food supplies into Baku to sell the same at speculative prices.

At 21 a meeting of the commission was called of which the following are the minutes:

MINUTES OF THE MEETING OF THE COMMISSION OF SEPTEMBER 10, 1921.

Meeting called to order by Chairman Johnson at 21. Full membership of the commission present. Minutes of the previous meeting read and approved.

Moved, seconded, and passed that letters of appreciation be written to Commissar Svanidze, of the S. S. Republic of Georgia, and Dr. Emilia Burchardt, and a letter of commendation of Soldier Peter Yermalaieff to his commanding officer, in the name of the commission.

Moved, seconded, and passed that the commission, by its majority, shall without delay present the full report of the commission to the general secretary of the Near East Relief and to Herbert Hoover.

Moved, seconded, and passed that immediately upon the presentation of the report of the commission to Herbert Hoover, and his approval thereof, the commission shall through its secretary approach Mr. Charles V. Vickrey with a view to the publication in printed form of the report as submitted, accompanied by such photographs as may be deemed expedient, and Mr. Charles V. Vickrey shall be requested to endeavor to arrange for the cost of such publication; and further that the commission by majority shall be the sole judge of what portion, if any, of its report shall be published.

Moved, seconded, and passed that no information as to the observations, conclusions or opinions of the commission, or any member thereof, be communicated to any person, newspaper, or organization whatsoever before the formal report of the commission is filed with the general secretary of the Near East Relief and with Herbert Hoover.

Moved, seconded, and passed that the commission shall be dissolved at such time as it considers that its duty in respect of the publication of its report shall have been accomplished.

On motion duly seconded and passed the meeting was declared adjourned.

In compliance with the motion, the secretary thereupon wrote the following letter to Commissar Svanidze and suitable letters to Dr. Burchardt and the commanding officer of Soldier Peter Yermalaieff:

SEPTEMBER 12, 1921.

Commissar A. SVANIDZE,
Commissariat for Foreign Affairs,
Socialist Soviet Republic of Georgia.

MY DEAR COMMISSAR SVANIDZE: The Russian Commission of the Near East Relief has formally directed me as secretary of the commission to express to you the profound gratitude of the commission to you, personally, and to the socialist soviet government of the Republic of Georgia for the very great courtesy and assistance shown the commission by you and by the socialist soviet government of Georgia. The commission realizes fully that save for your cooperation and the very keen personal interest you displayed in the plan of the commission, the work which the commission has been able to accomplish would have been impossible. The car furnished the commission by the socialist soviet government of Georgia has proved of the utmost value to the commission in enabling it to complete its labors in the shortest possible period of time and the commission would be grateful if you would express to the appropriate offices of the railway transportation service its appreciation of the courtesy of the car.

The commission feels that its task could not be complete if it had not made a record of your earnest and valuable cooperation in the work which the commission has had in hand, and it gives me very great personal pleasure to be the instrument of expressing to you the very profound gratitude of the commission as a body and of every member thereof for your aid and your kindness.

I avail myself of the opportunity to renew the assurance of my very highest consideration.

PAXTON HIBBEN,
Secretary of Russian Commission of Near East Relief.

SEPTEMBER 11, 1921.

The commission had been informed that Mr. Hiatt, correspondent of the Associated Press, was awaiting the commission in Baku, and the following statement was prepared for the press, either for Mr. Hiatt of the Associated Press, should he appear, or for any other American correspondent who might be waiting the commission's arrival:

Russian Commission Near East Relief arrived Baku (Tiflis) after trip 4,500 miles throughout European Russia, having left Tiflis August 16. Commission proceeding United States of America undelaying report Hoover and Vickrey of Near East Relief. "We went wherever liked, unmolested, uncontrolled any way, start to finish," Johnson declared. "Soviets unmade attempt either influence our judgment or even show us anything. Beyond requests exhibit railway orders our car nobody ever even asked see our passports." Asked about conditions Russia. "Volga rolling down immense tide despairing humanity in panic fear rigorous famine winter, not half whom will ever see homes again," he said. "Moscow making stupendous effort cope with migration problem despite shortage both locomotives, fuel. Trying desperately persuade peasants stick it out; remain farms so as plant spring crop, thus avoiding repetition present famine next year. Where peasants insist leaving—which is case about 30 per cent population—Government unable bring food to peasants has adopted policy bringing peasants to food. As government's only supply grain wherewith fed peasants famine region comes from tax in kind now being collected from this year's harvest 'tis evident 'tis impossible for government with limited means transport its disposal and bad conditions country roads get grain to stricken people. Therefore do next best thing by transporting thousands families flocking into every railway center of Volga city rapidly transportation can arranged to those parts Russia where there has been the least fair crop.

In Samara we found 16,000 people actually waiting on river bank encamped for steamers take them away. At Tsaritsin point, where refugees arrive from river journey, as many again camped in open around station and railway yards awaiting trains take them south, while 200 officially dead starvation past fortnight. In Tikhonetskaya three trains, 50 cars each, every car jammed people inside out, hanging on couplers, brakebeams, bumpers, and along sides engines outsent daily to scattered among villages Kuban Stavropol Gorsk Republic where harvests better than elsewhere Russia. Throughout Russia soviets meeting emergency this method. Does not of course solve problem next year's crop and who will plant same. For that we convinced must be seed from outside Russia together sufficient grain keep those who remained farms through winter. Isn't simply Russian matter. 'Tis matter vital concern whole Europe and by reflection United States of America. For Russia been granary Europe and if present famine permitted depopulate great wheat growing areas Russia as now seems danger whole world bound suffer therefrom. Our strikingest impression was difference conditions during three weeks between first arrival south Volga country and return thereto. What had become starvation suffering before death and general moving day become vast panic stricken migration, whole people rushing from one death to another. 'Tis only fair state that in same period governments handling situation altered from denial migrations existed to effective control movement and practical distribution refugee where can get through winter without starvation." Commissions investigations convinced following districts affected famine autonomous Tartar Republics Chubashk Kazan. Four southern countries counties Vyatka. U. F. A. Samara, Simbirsk, Saratoff, Tsaritsin, Astrakhan Provinces entire. German colonies along Volga. Northeast Doncossacks. Districts outside Ukraine able assist suffered some extent autonomous Kirgchez Gorsk Republics Kuban Black Sea Stavropol Provinces and Siberia. Hope extensive relief from Turkestan unfounded. Approximately 10,000,000 people affected whereof 30 per cent on move. As Mr. Hiatt did not put in an appearance at Baku this message was not sent.

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any purpose Near East extend operations northward; fifth, any report to be rendered American organization ultimately; responsible Russian relief; sixth, endeavored communicate Washington between receipt request and latest possible date depart communication Tiflis irregular; note Johnson cablegram Tiflis 5th; reached Constan nople 23d; seven reasons urgency action available American citizens already Russia territory; confidence inspired previous American relief work and works Caucasus immediate transportation proximity devasted area reported urgency fami situation justified unofficial investigation without commitments. We, however recognize and accept official viewpoint Washington.

VICKREY.

Immediately upon the receipt of the above cablegrams a meeting of the commission was called.

**MINUTES OF THE MEETING OF THE RUSSIAN COMMISSION OF THE NEAR EAST RELIEF
HELD IN TIFLIS, SOCIALIST SOVIET REPUBLIC OF GEORGIA, SEPTEMBER 13, 1921.**

The minutes of the meeting of September 10, 1921, were read and approved. The log of the survey of the commission to date, having been read by the members of the commission, was declared approved.

Moved, seconded, and carried, that the cablegrams as follows—

1. Constantinople, August 20, 1921, signed Stanav.
2. Tiflis, August 25, 1921, for Johnson and Yarrow.
3. Tiflis, August 25, 1921, Near East, Constantinople.
4. Constantinople, undated, to Near East, Tiflis, signed Garroni.
5. New York, August 23, 1921, No. 196, for Vickrey.
6. Constantinople, August 24, 1921, No. 324, Near East, New York—

be received by the commission this date, and the fact recorded that no one of the cables has previously reached this commission or any member thereof.

Moved, seconded, and carried that the secretary be directed to prepare a suitable letter expressing to Treasurer E. A. Yarrow the deep appreciation of the remaining members of the commission of his services as a member of the commission, and the regret that his duties prevent him from accompanying the remainder of the commission to the United States to present the report of the commission.

Meeting adjourned.

In compliance with these instructions the secretary of the commission prepared the following letter:

RUSSIAN COMMISSION OF THE NEAR EAST RELIEF,
September 13, 1921.

DEAR CAPT. YARROW: Before leaving Tiflis and severing our contact with you the undersigned members of the Russian Commission of the Near East Relief desire to express to you their very deep appreciation of your service with the commission and the keen personal pleasure it has been to each of them to have been so closely associated with you in the important work of this commission. Your loyalty, industry, tact, and signal ability have been one of the most precious assets of the commission in carrying out its mission, and the personal qualities which you have displayed have endeared you to each member of the commission.

The commission regrets that your duties with the Near East Relief in Transcaucasia prevent you from accompanying the commission to the United States to be with the remaining members of the commission when its report is presented. But it takes this opportunity to assure you that in the minds of the members of the commission you are not separated from them either in the work of the commission nor in any credit which may accrue to the commission for its labors.

Please accept the very sincerest good wishes of every member of the commission for your future.

Sincerely yours,

A. A. JOHNSON, *Chairman.*
PAXTON HIBBEN, *Secretary.*
FRANK CONNES.
JOHN R. VORIS.

The same date the following account of expenditures by and for the commission was submitted by the treasurer, received and approved by the commission:

RUSSIAN COMMISSION OF THE NEAR EAST RELIEF.

Total of incidental expenses incurred from Aug. 16 to Sept. 12, 1921:	Rubles.
Mr. Johnson.....	332,000
Capt. Hibben.....	1,820,000
Capt. Yarrow.....	1,528,500
Mr. Connes.....	470,000
Mr. Voris.....	4,435,000
Dr. Burkhardt.....	1,300,000
	9,895,500

100,000 rubles per \$1..... \$98.95

Documents in support whereof filed with director of finance, Near East Relief, Caucasus Branch.

O. K.

E. A. YARROW.

A further amount of 50 Turkish paper pounds (approximately \$32.50 at current exchange) was placed at the disposition of the secretary of the commission with which to pay for the development and printing of photographs taken by the commission and for necessary typewriting in connection with the preparation of the report of the commission.

The commission left for Batum at 19.30.

SEPTEMBER 18, 1921.

Arriving in Constantinople, the commission, less Capt. E. A. Yarrow, who had remained in Tiflis, immediately waited upon Admiral Mark L. Bristol, United States high commissioner to Turkey, at Therapia, and took up with him the matter of the cablegrams received by the commission for the first time on its return to Tiflis. At the same time a complete file of all cables sent by the commission was furnished Admiral Bristol for his information and that of the Department of State, including copy of the cable which had been prepared on September 11 to be given to the Associated Press through Mr. Walter S. Hiatt, its correspondent.

Admiral Bristol stated that he had received no instructions affecting any declaration which the commission might deem it expedient to make, with the exception of the cable instruction received from the Secretary of State and forwarded on August 20, which reached the commission on September 13. This instruction, Admiral Bristol further stated, he took to apply solely to the period during which the negotiations between Mr. Brown, representing Mr. Hoover, and Commissar Litvinoff were pending, negotiations reported in the press as having been concluded on August 15, 1921. He therefore saw no reason, he said, why any further silence should be imposed upon the commission.

Admiral Bristol further agreed with the commission's recommendation that if a worse famine next year than that which had fallen upon Russia this year were to be avoided, it was important that an immediate shipment of grain on a large scale be made to Russia, to insure the sowing and harvesting of a crop next year. He further approved the commission's suggestion of shipment by way of the Black Sea, stating, however, that in his estimation Novorossisk would furnish a better harbor than Rostoff, so far at least as harbor facilities were concerned. He made two suggestions as to a possible manner of effecting the relief which he stated he believed should be rendered: (1) For the immediate grain supply necessary to save the Russian situation, that the farmers of the United States be asked to lend the grain required to those of Russia, same to be repaid in kind on demand at some period after, say, three years, the entire operation to be not a charity but a loan. (2) To insure the earliest possible maximum cultivation of the farmland of Russia, that a consortium of manufacturers of tractors and other agricultural machinery be aided, governmentally if necessary, to supply Russia with the agricultural machinery necessary for the fullest development of the land as a long-term loan to be repaid in agricultural products or the equivalent thereof.

Following the interview with Admiral Bristol, the commission, by its majority, approved the following two messages which in the absence of Mr. Hiatt were given to the local correspondent of the Chicago Tribune, being a rewording of the message unanimously approved by the commission on September 11:

TIFLIS, September 13.

Russian commission of Near East Relief, which left Tiflis August 16, covered 4,500 miles European Russia; first Americans survey conditions entire famine district Kazan to Astrakhan state only thing prevent worse famine again next year immediate American relief large scale before ice closes Don and Volga. "We went wher-

ever we liked unmolested, uncontrolled anyway start to finish," Chairman Johnson declared. "Soviets made no attempt either influence our judgment or even show us anything. Beyond requests exhibit railway orders covering our car nobody ever even asked see our passports. We have wealth material photographs gathered villages, farms, and from peasants themselves which going United States America fast as possible, lay before Hoover." Asked if reports famine exaggerated, "Don't think so. Volga rolling down immense tide despairing humanity in panic fear rigors famine winter not half whom will ever see homes again. Moscow making stupendous effort cope with migration problem despite shortage locomotives, fuel. Trying desperately induce peasants stick it out, remain farms so as to plant spring crop, thus avoiding repetition present famine next year. But thousands refuse even wait Government transportation, travel six eight hundred miles wagons or afoot, often dying by way-side. These about 30 per cent population and Government unable bring food to peasants scattered over 10 provinces affected has adopted policy bringing peasants to food.

"Whole transportation system country now being devoted carrying tens thousands families flocking into every railway center and Volga side city to parts Russia where there has been at least fair crop. In Samara city we found 16,000 people actually waiting on river bank encamped for steamers take them away. Syzran only slightly less; Saratoff same. At Tsaritsin point where all these refugees arrive from river journey worst concentration of all. People camped in around station railway yards, river front awaiting trains take them away, so thick can scarcely walk among them with dead and dying lying about everywhere. Two hundred officially registered dead, starvation, Tsaritsin past fortnight. From Tikhorietskaya three trains daily, 50 cars each, every car jammed, people inside and out, hanging couplers, brake-beams, bumpers, and along sides cowcatchers; engines being dispatched to villages Kuban Black Sea Stavropol Provinces and Gorsk Republic where harvest been better than elsewhere Russia. Colds another factor; general misery. Rains already inset and huddled masses sodden bedraggled humanity shivering cold. Women usually dressed single garment, children frequently only few rags, simply waiting death unless relief arrives immediately. Even where trainloads arrive villages were being temporarily colonized over winter, no housing available and we saw scores camps shelterless people still pathetically unacceptable by villagers among whom suddenly dropped down gathered groups along railway not knowing what to do or where to go."

HIBBEN.

TIFLIS, September 13.

Menace Russian famine situation is not this year's toll death from starvation but next, according to near east relief commission, which left for Constantinople this evening bound for Washington to report to Hoover. "Big problems not relief alone but economic reestablishment country," Johnson declared, "two cardinal points outstand to view. Fact crops sown this fall far below normal. Can enough grain be sown next spring to prevent another famine year, and who will sow it. Not simply Russian matter, it is a matter vital concern whole Europe, and by reflection United States of America, for Russia been Europe's granary, and if present famine permitted depopulate great wheat growing areas Russia, as now seems, danger whole world bound suffer therefrom. Present there's not enough seed grain Russia insure planting, even much as last year, and it is evident if peasants hungry enough this winter will eat the little there is for spring seed. Other hand, even if were all seed required, long as present migrations continue there's danger won't be enough farmers left on farms to plant and harvest next season's crop. There's crux matter, and whole situation is moving with appalling rapidity. Our most striking impression entire trip was difference in conditions during three weeks between first arrival south Volga country and return thereto. Want had become starvation, suffering become death, and general moving day. Peasants become vast panic stricken migration, whole population rushing from one death to another. It is only fair to state that in same period soviet's attitude altered from denial migrations existed to effective control movement population and practical distribution refugees where can get through winter unstarving." Commission's investigations convinced its members stated, following districts affected famine: Autonomous Tartar, Republics Chubask Kazan. Four southern counties, Vyatka Province Ufa, Samara, Simbirsk, Saratoff, Tsaritsin, Astrakhan Provinces entire. German colonies along Volga. Northeast Don Cossacks. Districts outside Ukraine able assist sufferers some extent: Autonomous Kirghiz Gorsk Republics Kuban Black Sea, Stavropol Provinces and Siberia. Hope extensive relief from Turkestan vain. Approximately 10,000,000 affected, whereof 30 per cent on move.

HIBBEN.

SEPTEMBER 19, 1921.

The following cablegrams were delivered to the members of the commission for the first time:

Received September 3, 1921.

NEW YORK, *September 2, 1921.*

For Jaquith's personal attention. No. 2. Referring 196, absolutely necessary Near East party, Russia, should send no reports or publicity whatever, except to Near East, New York, through you, after consulting with Bristol. Long cablegram just received Riga, apparently from Moscow, August 25, emphasizes to us extreme danger Near East party might seriously complicate task United States Government and American relief administration, doing near East tremendous damage. If possible reach them direct or through Tiflis. Instruct them issue or send absolutely no statements until conference with you, and then only through Near East, New York. Above Riga cablegram directly violates fifth points Vickreys 324, a message sent to us for publicity instead of for transmission Washington, and contents largely political, instead of solely concerned with immediate problem famine relief. Hibben and others must absolutely refrain from sending similar material to papers, or other people, as apparently they don't understand correctly view point American Government and public.

FOWLE.

(Note.—This cable was sent six days after Maj. Carroll and the party of relief workers sent into Russia by the American Relief Administration had arrived in Moscow and begun work.)

Received September 12, 1921.

GENEVA, *September 11, 1921.*

Jaquith, near east, Constantinople. Mailing Nansen's League Nations agreement, soviet Russian relief program. Friendly terms established here between Near East relief and Nansen. Ask Yarrow to have highest officials Georgia and Armenia Governments submit official urgent requests, both Nansen and Hoover, that equitable portion any Russian relief supplies be allotted Georgia-Armenia, administered through Near East Relief. Vitally important Yarrow maintain exclusive American control, with administration absolutely above criticism from unfriendly, unsympathetic sources. Remaining Geneva; important. Luncheon Tuesday noon, Paris Wednesday, London Thursday; sail Friday; White arrived.

VICKERY.

Received September 19, 1921.

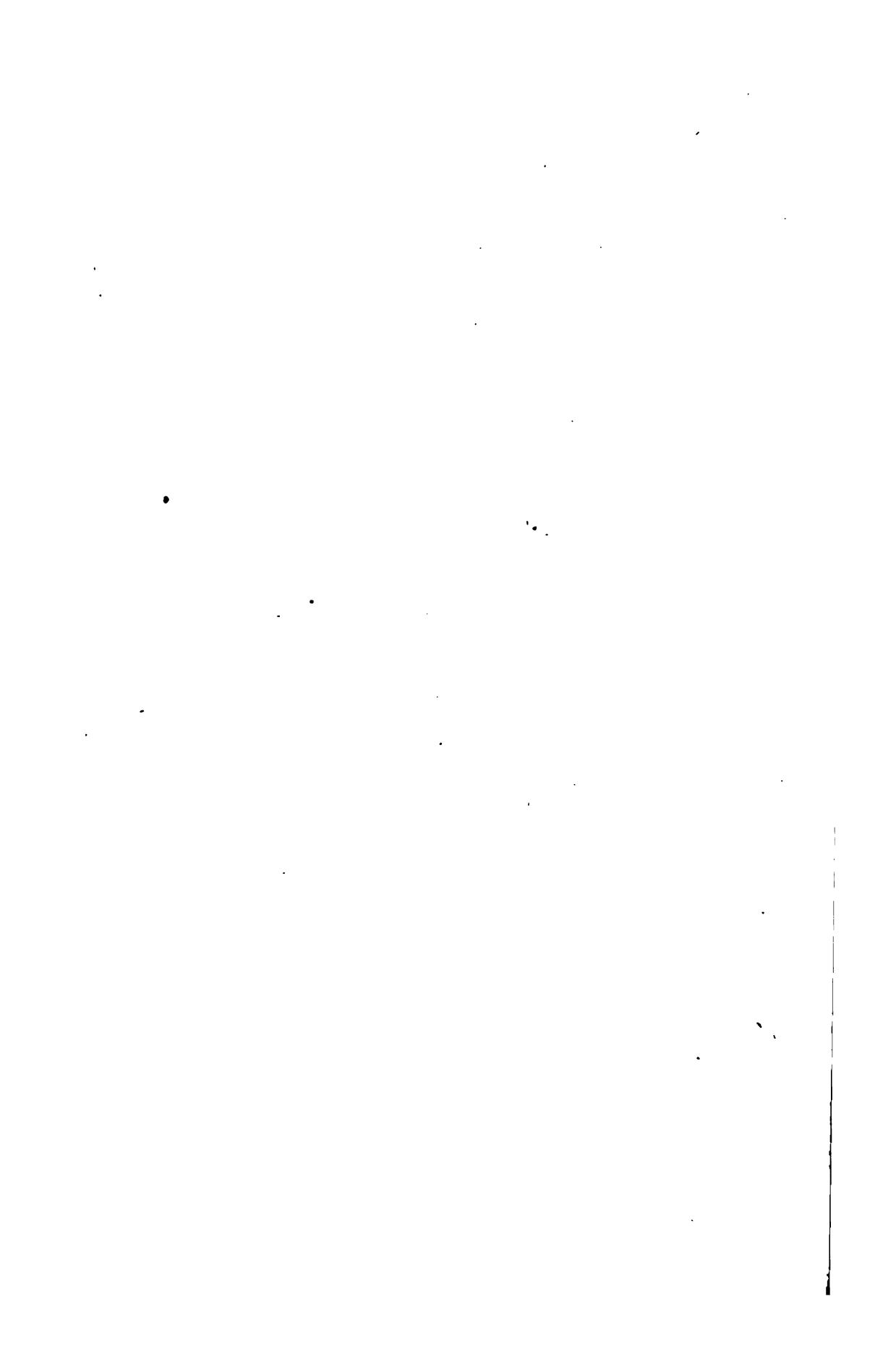
NEW YORK, *September 16, 1921.*

Near East, Constantinople. No. 5. Replying 7, Owen here. White sailing with Vickery, Finland, 16th. Will carefully suppress military pictures, but Owen believes Yarrow apparently referring pictures which were planned but never taken, because impossible arrange details last moment. 730-word cablegram received 13th from Russian party via Riga, apparently dispatched Astrakhan, 7th. Can not understand their sending this if our No. 2 warning against such messages received. Absolutely essential shut mouths, pens of this group, as such messages utterly useless and grossly wasteful relief funds. Hoover running own publicity adequately and would resent our butting in.

FOWLE.

On receipt of these messages it was noted by the commission (1) that both cables Nos. 2 and 5, signed Fowle, were received by the commission for the first time on September 19, 1921; (2) that no money whatever had been spent by the commission in sending any of the cables which it had dispatched.

The same evening Chairman Johnson and Mr. Connes left Constantinople for France via Italy, Mr. Voris for France and England on the Orient Express, and Capt. Hibben for the United States via Greece and Italy, the commission to reconvene on the arrival of these four members in the United States.



STABILIZING THE PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

FRIDAY, MARCH 3, 1922.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in room 224, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), Capper, Keyes, Ladd, Norbeck, Smith, Kendrick, Harrison, and Harrel.

The CHAIRMAN. The committee will come to order.

The committee has this morning Mrs. Radick, of Minnesota, who desired to be heard on the Ladd bill. She is here, and the committee, Mrs. Radick, will be glad to hear you.

STATEMENT OF MRS. NEIL P. RADICK, FULDA, MINN.

The CHAIRMAN. First give us your name and your occupation, Mrs. Radick.

Mrs. RADICK. Nels P. Radick, Fulda, Minn.

The CHAIRMAN. In what part of Minnesota is that?

Mrs. RADICK. The southwestern part of Minnesota, in Murray County, about 20 miles from the South Dakota line.

The CHAIRMAN. What business are you engaged in?

Mrs. RADICK. Farming.

The CHAIRMAN. You are living on a farm?

Mrs. RADICK. Yes; and have been for a long time.

The CHAIRMAN. How long have you lived on a farm?

Mrs. RADICK. All my life, except the years I was away to school. My childhood was spent on a farm, and I have been on a farm since I have been married, 20 years.

The CHAIRMAN. You have been married 20 years? How many children have you?

Mrs. RADICK. Two.

The CHAIRMAN. How old are they?

Mrs. RADICK. I have a girl in her last year in high school, and a boy 15.

The CHAIRMAN. All right, Mrs. Radick, go ahead and say what you have to say in your own way, in regard to this legislation.

Mrs. RADICK. The help that we are asking from Congress comes under the bill for the stabilization of the value of farm products. Man is a land animal. He lives from the products of the soil, without which he can not prosper, can not live. Agriculture is the foundation upon which all industrial and commercial activities rest. It furnishes in raw materials about one-third of the natural productive wealth of the Nation. It is the means of livelihood of about 49 per cent of the population. Now, that does not mean the actual tillers of the soil, on the farm, but men and women engaged in the work of changing the products of the farm to commodities that can be used by the people. Not only that, but it is responsible for the well-being of the other half of the population.

In order that any building can be substantial, you understand the foundation must be solid, well-built, and well preserved. If agriculture is the foundation of all commercial and industrial activities, let us consider how the foundation is built, and how it is preserved.

We farmers work by hope, faith, and charity. That is our foundation. You can understand the stability of a foundation of that kind. We plow and sow. We live in hope until the harvest. You can understand what that does to our business. In no other business is it as possible and as necessary for the wife and family of the man to cooperate as it is in agriculture. It must be done. If you are familiar with the work of the farm you know, and if you are not, you can probably guess. The wife is just as necessary to the success of the business as the man. She must work just as hard; work far beyond her strength. The children the same. We are not objecting

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to the work, but we are objecting to the returns that are given to the farmers. You will understand or can probably realize what it would mean to you if you worked until the end of the week or the end of the month, and you did not know whether you were going to get even what it cost you to produce what you had worked for, say nothing about a profit toward the expense of the running of the home.

We farmers are not getting even the cost of production, and have not been for some time. Things are getting more acute. Last year it cost us 72 cents to produce a bushel of oats and corn. That is a very conservative figure. Are we assured that we are going to get even cost of production?

We are asking for stabilization of the value and price of farm products on the basis of cost of production plus a reasonable profit. Is that too much for agriculture to ask? Every other industry figures cost of production plus a profit, and sets its price. We, the farmers, have not that power. We do not know whether we are going to get it or not. We have not been getting it sometimes.

Out in our community—it is strictly an agricultural community—grain, corn, livestock, horses. Our farm is a stock farm. Two years ago we had two carloads of cattle ready for market. We had summered them two years and wintered them one. We got our returns and lost \$1,700 on the two cars. You see what that means to our home, what it means to our people, to educate our children and to give them at least the fundamentals to make them better citizens. Other stock men tell the same story.

Last fall farmers needed money, the banks were pressing them hard, and they sold their grain right off the machine. You know what that means, selling the grain direct and hauling it to town. They got 17 cents a bushel for their corn, when they sold their corn as soon as it was picked. You know how corn is harvested in Minnesota. Men, women, and children all get out in the cold, in the snow, many times and pick the corn. The farmers that had to sell sold their corn right to the shell at 22 cents. That was the price at the time. They were not able to hold over. If they had been able to hold over until the present time they would have gained 100 per cent. It is now probably 31 cents. Oats and corn, when I left home—

The CHAIRMAN (interposing). You don't want the committee to get the idea that they had held it until the present time they would have made 100 per cent?

Mrs. RADICK. It would have doubled. They would have got twice what they did.

The CHAIRMAN. Yes; they would have gotten twice what they got then.

Mrs. RADICK. Yes.

The CHAIRMAN. But still, at the present time, no farmer would make 100 per cent on his investment?

Mrs. RADICK. Not on his investment, no, but he would have been able to get twice as much as he did get then.

Senator SMITH. You mean 100 per cent over what he had been getting?

Mrs. RADICK. Over what he had been getting. In order to get a crop harvested and get every single kernel of grain and corn that the man produces, the farmer must put his family to work. I have seen little boys and girls in the fields out there ranging all the way from 15 to 8 years old. With their children they go out in a wagon box—you know how they pick the corn; go up and down the rows with their teams and wagons, husk it right there, and throw the ears in the box. Those little children are out there cold mornings, out of school, helping the father and mother to pick that corn, and then when it comes time to sell it he is probably not going to get what it cost him by working his whole family.

They sometimes tell us the farmer gets his living. That is true. We do. But even so, there are cash accounts that must be settled. We have to pay debts, we have to pay our insurance, the majority have to pay interest. That must be paid in cash, and in order to get a little beyond the food products he raises the farmer must get his cash, and he gets it by taking it out of the very life blood of his family. And, by the way, did you ever stop to consider that the farmer is really the only person that pays taxes out of pocket? In other industries, when they figure cost of production, they figure all that represents the production of that specific article. Any expenses that is connected with the production is laid down to cost, taxes included, insurance, and all those things, and when he comes to setting his price he figures those things all in. The retail merchant does the same thing. The retail merchant in our home town, when he figures a profit, he figures in taxes and expenses of all kinds. The farmers can not do that. The taxes are paid by the men, women, and children on the farms.

The stability of a nation, its perpetuity, depends upon the intelligence of its citizens. You can understand that. If the boys and girls upon the farms are taken out of school—and they are being taken out by the hundreds of thousands—if you realize and appreciate the value of education to your children, you are determined to keep them there at most any cost, and you have to sacrifice. You sacrifice on your home comforts. You sacrifice in the building up of your home, things that women like in

their homes in the way of comforts and appliances. We were determined our girl should have a musical education; that is, enough so she could be company to herself and possibly to her associates. In order to get a piano we had to sacrifice the building of needed improvements. We lived in Wisconsin at that time. We got the piano and managed to have her secure an education by my making butter instead of selling my cream to the creamery, because I could get a few more cents by making my own butter, though I could have had it done much easier if I could have gone to the creamery. Those things must be done right along if the farmer realizes the value of education.

You understand the importance of education of boys and girls in the country so that they can carry on agriculture, and if we get the other end of the problem taken care of—that is, that we are guaranteed cost of production plus a little profit—we will guarantee you that the farmers are going to go forward. The farmer is not afraid of work, and we are not pleading for charity. We are not pleading for help, but we are pleading for machinery to enable us to work out our own salvation. It can not be done unless we are assured adequate compensation for our work.

The deflation in the crops or the value or price of farm products the past two years has caused hardships that men and women away from the farm communities themselves know nothing about, because as a rule we don't advertise our infirmities. People that have lost their farms, renters that have had to sell all their personal property to satisfy the demands of their creditors, are not advertising the fact. Out in our community I think there were 12 farmers this last year that were posted for delinquent taxes. I can show you here the delinquent taxes of our county, and they tell us that our county is among the best. Does that speak well for a nation?

The CHAIRMAN. What county is that?

Mrs. RADICK. That is Murray County. Twelve in our own little township. And it is not because they have been wasteful or extravagant. As a rule they have been frugal, and they were planning in those years a crop and sufficient from their crop to meet their taxes and their cash expenses. We paid our taxes by sacrificing Liberty bonds, sacrificing on the Liberty bonds. You know we were forced to buy the bonds, almost, whether we could afford it or not. Some of us borrowed money to buy some. We are paying interest on that full amount and selling them below par to get our taxes paid.

The desire on the part of the farmers and their wives to make and keep homes is creditable. A nation of homes, you know, is the strongest nation.

This system of speculation and manipulation in the products of the farm has beaten the country into a system of farm tenantry, and impoverished agriculture. Unless conditions on the farm are improved, nobody can expect the boys and girls are going to be satisfied to come back or to stay on the farms. I had a little girl tell me the other day, 14 years old, one of a family of eight, the father trying hard to get his home paid for, "I am going to learn to be a teacher." She says, "I am not going to milk cows all my life." The boy says, "And I am not going to stay home here and dig all the time." He says, "I am going to go to school, and I am going to learn how to make my living easier." We plead for education for our boys and girls and the ability to give it to them. We do not give them the idea that education is going to make life easy, but we do contend that it is going to be more pleasant and more profitable if they are educated to fill their places in the world. You see what that leads to. The boys and girls of intelligence are leaving the farms. They are coming into the cities. The parents eventually follow. Then what are you going to have? You are going to have a time coming when we are all going to be in town, and production is not going to keep pace with consumption, and we are all going to starve. I sometimes think if it were not for being afraid of starving with the rest of the people in town we would give up the job, because we could make our living easier. A man could go down town and work, provided there was work for him, for an ordinary daily wage, and get more than the whole family is getting toward their support now. Statistics prove that the farmer and his family receive 5 cents an hour for their work in the corn and grain country. How do they live on it? Five cents an hour. Now, those figures are reliable. A man would not have to work many hours to get that much.

But we think there is a future in agriculture. In the first place, we like the work. It is not natural for us to want to be cooped up in town. We think there is a future if the men that have the power of legislation can get the vision of what a contented and adequately compensated agriculture means to the stability of the Nation, and will provide the ways and means for them to reach that state; that there is a future for agriculture, and that we can feel that we are builders of the Nation. The men in power have wonderful opportunities to assist in that work.

In speaking of the little children that are working, if you have a family of your own you can probably imagine how you would like to call your little boy and girl out of bed two hours before school time in the morning in order to get all the work possible out of them; hurry them home after school and have them working after hours, when they should be in bed. Understand I am not holding that boys and girls should not work. I think that is one of the blessings of rural life—that we have an opportunity to teach our boys and girls work and responsibility. That is a hardship, I think, that parents in the cities have to contend with—that there is nothing to teach their boy stability and sticktoitiveness. We have that opportunity. The difficulty is that the opportunity is so great that our boys and girls are overworked. During the draft it was found that our farm boys were not nearly as perfect in health and build as the boys of the towns, the healthy boys of the towns and cities, and it is because they claim they were overworked from farming; they were not allowed to develop naturally. They tell us that statistics prove that the boys and girls on the farms are underfed, undernourished; they are suffering from malnutrition. It seems incredible, doesn't it, in a community where we have our milk, butter, eggs, and potatoes and practically everything that goes into a balanced ration. The trouble is that the farm wife is overworked, so that she has not the time to devote to cooking a well-balanced meal, and possibly does not understand how to do it.

That is another thing we have to contend with in the country; that is, the intelligence of the mothers, because past generations were not taught those things. Their nose was kept so close to the grindstone, helping to pay their bills, to pay their expenses, that they had not been taught that side of life. That is a thing that must be done in order to keep up the health of the rural population.

We are asked to contribute to the welfare of the Nation. We are glad to do it. We do it in work. We try to work as hard as the majority. All we ask for is adequate compensation, and that can be brought about by the stabilization of the food value and the price of farm products, and placing the farms on cost of production plus a profit. We are told it is not practicable, because a fixed price, stabilized price, could not be set. We do not ask for a fixed price. We ask for a stabilized price, fixed upon the cost of production plus a profit.

We had an instance in our town where a renter—I should have said that we are quite a community of renters. The land is owned by landlords, and they have their tenants, and many times the lives of those tenants are worse than the lives of the peasants of old. They tell us about the hardships in European countries. They tell us about the hardships in the coal-mining sections of this Nation.

You probably do not think it possible that the same degree of hardship could be encountered in a land of plenty. We had a family out there, a farmer who was a tenant of a banker. The bank owned the farm. The farmer had been getting behind, and in order to satisfy the claim of the bank the banker put a lien on all his crops for this last year, and that meant that the farmer was not supposed to sell a bushel of grain, a kernel of corn, or a pig or anything off of the farm unless the banker gave him permission to do so. The farmer became desperate. He had his children, and they were hungry, and he butchered a hog for the use of his family. The banker heard of it and went out there and insulted the man—slapped him. The man is now in jail; and to show you the sentiment among the people, and how conditions are affecting human nature of men and women, the people in that community out there say that if that man should have killed him, you would not find a jury that would convict him, because his condition was so desperate. There are neighbors of ours where the children are practically barefooted, because the time is coming when the taxes and the rent money must be provided. There are instances where renters have sold off all their personal property and satisfied the claims of banks. In other cases the banks are carrying them because they realize that where the farmer is forced to sell everything he has, including grain and personal property, it would not even pay the debt to the bank, so the bank is giving him another chance.

These are not cases brought on by wastefulness or extravagance. They were brought on by deflation of prices. The farmer had a right to expect last fall—he had a good crop out there last year; the best crop, they tell us, that they have had for 20 years. For 20 years the crop has not equaled the corn crop he had this year. We had a long fall, a long season, and the crop ripened nicely, and we had a right to expect that when that crop was harvested, taken care of, and put on the market, it would at least pay us cost of production.

Don't you think it is rather discouraging to keep on? And they are not going to keep on. You probably remember reading in the papers that they have tried to reduce their corn acreage. In some sections of Iowa and Kansas they have only recently commenced it. The farmers in our community realize that there is no surplus of corn or grain, but that it is the machinery of distribution and marketing

that is at fault. So we are going to keep on producing. We are going to hope that we can put the case so plainly to our representatives that have the power to make the laws and the machinery to work under that they are going to realize that it is not a selfish request. It is not a thing that interests the farmers alone. We are not asking for charity. We are not asking for sympathy. We are simply asking for the power and the privilege that is granted to every other industry and every other system of production, and we hope that can be accomplished. It is a wonderful opportunity to put agriculture on its feet. We sometimes hear the expression, "Put agriculture back on its feet." I don't agree with that. I don't think it has ever been there.

The only reason why we farmers have not been able to keep our heads above water is because the cost of production has been so great. As long as there were fertile lands and open fields, cheap help, low taxes, and all that, production could be carried on with less expense. But those days are past, and that is why conditions are becoming so acute. If you will go back to your ancient history, about the year 131 B.C., the time when the land was all in the hands of the possessed and nonpossessed, conditions became so acute the tenants just could not bear up any longer, and the farmers were idle, people were moving out, and in order to bring relief you will remember Caius Gracchus, a ruler, established what he called the corn stations. Instead of that, he had the power to bring about conditions whereby people could work out their own salvation, but they gave them the corn. History repeats itself. We are establishing bread lines, soup kitchens, and giving here and giving there, when all that is needed is to give the farmers, the agriculturists, a chance to get adequate compensation for their work, for their products, so they will stay by. We are all bad, we are all anxious to get back to the state of normalcy, but it can not be done unless the most important and basic industry is protected, and that is to work out a system whereby agriculture can be given protection.

We are asking for a system of financing the grain as long as it is in the farmers' hands. I would like to change that request, unless it is considered in the farmers' hands when it is in the local elevators. We hear a great deal of talk about the terminal grain elevators. Give us our local elevators, cooperatively operated and under the control of the Government, such as post offices are now; allow the Government to have control of the grain, and have such a system of financing the farmer when he sells his money, which is probably in the fall of the year or when he must dispose of his crop. You understand that to-day in the grain-growing sections, the corn sections, the farmer has not the facility to keep his corn or grain upon the farm until it is needed in the market. He must dispose of it either for want of room or for lack of money. Now, if that should be taken to the local elevator, the Government financing it partly, and working under a stabilized market, there would not be any need of waiting for higher prices. The surplus of the community would be brought to the market as the demand required. They tell us now, of course, it is the law of supply and demand that regulates those things. I want to differ with them.

The revenue for providing a system of finance for grain under those conditions could be obtained through the Postal Service. We have our postal-savings banks and you know the business done during the past year. I forget what the figures were. But why, instead of sending that money over to the private banks to work with, could not that be turned right back to the farmers through Government regulation? The managers of these elevators could be licensed, could be under civil service, if you want them. Wouldn't that do away with all the gambling and speculation? They tell us now that 95 per cent of the crop is off the farms. Does that explain why corn and oats and those things are selling for better than twice what they were when the farmers had to put them on the market? I am just asking you men to consider the needs of agriculture, the bearing it has on the stability of this Nation, and calling your attention to the opportunity that you have as lawmakers to give us what we ask.

We are fighting for our children. Some years ago—I forget how long—Rudyard Kipling came out with a poem, "The Female of the Species is More Deadly Than the Male." He went on to tell how the women in the homes were fighting for their children. The women will do that. You can harm and hurt almost anything that belongs to a woman, but when you hurt her children she will fight. You know, it used to be thought that we women had no interest beyond the fireside. You know how we were being affected by conditions. We could talk to men and they would listen courteously to us, but it would not mean much, because women had not the power to back up what she said. Now we have the vote. We are going to reward the men that gave us what we asked for. We are always going to be careful not to ask for more than what is equitable. We are going to be just as willing to give to others as we are insistent upon receiving what is due us. We have a way, you know, of finding out who are our friends. I think our strength is going to be helpful to farm

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women as well as women of other callings. We realize that we must get into the field in order to save the Nation.

I thank you for your attention.

The CHAIRMAN. We are very much obliged to you, Mrs. Radick.

To-morrow Mr. Johnson, connected with the Russian mission that we heard about yesterday, will be here, and I think all those who heard the secretary, Mr. Paxton Hibben, will be very anxious to hear the chairman of that mission.

We will adjourn now until 10.30 to-morrow.

(Whereupon, at 11 o'clock a. m., the committee adjourned until 10 o'clock a. m. Saturday, March 4, 1922.)

STABILIZING THE PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

SATURDAY, MARCH 4, 1922.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in room 224, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), Capper, Keyes, Gooding, Ladd, Norbeck, Hendrick, Heflin, and Caraway.

The CHAIRMAN. The committee will come to order.

Senator LADD. Mr. Chairman, I wish to have inserted in the record a letter from J. Moulton, of Wahpeton, N. Dak., not very far from where Mrs. Radick lives, the my that appeared yesterday; also a statement showing the cost of production per

re, on a conservative estimate.

Senator GOODING. What is the figure?

Senator LADD. The figure is \$17.26 an acre as the cost.

Senator GOODING. What is the average yield?

Senator LADD. The average yield in North Dakota is about 13 bushels.

Mr. Chairman, it probably is not known to most of the members of the committee, at price stabilization of agricultural products is not a new subject. In fact, in grain has been stabilized in price since 56 B. C., up to 1911, when this article prepared, and I presume, as far as anything I can learn, has been continuous 1911. I prepared a short synopsis from the university studies of Columbia University, in two volumes, prepared by Dr. Chen Huan-chang, of China. I have almost wholly quotations direct, so that there shall be no mistake made, and referred to the pages.

I would like to have this short summary included in this record.

The CHAIRMAN. Yes. I think there will be no objection to that. The Chair ears none. It will be incorporated.

(The documents referred to are as follows:)

MY DEAR SENATOR: I am submitting herewith a petition accompanied by a cost lance sheet setting forth the claims of the farmers of the State of North Dakota relative to the cost of production of our wheat crops and the marketing conditions which control the same.

An appalling catastrophe has overtaken the farmer. He has lost confidence. Crop failure and failing markets have driven him until he stands with his back to the wall, and that wall is bankruptcy.

The very foundation of our industrial and mercantile life is confidence (the credit system). The farmer stands to-day shorn of credit, a discouraged man.

He is the only producer in this country who has no control over his product.

He is compelled to produce commodities at a loss.

The great wheat-growing Northwest has been exploited until we must cry out to you for help. Only by congressional action can the confidence of the farmer of the Northwest be restored. He has responded to the call, "sow more wheat" only to find the market manipulated, and, when his wheat is in his granaries ready to market, the market price does not cover producing cost.

He can not hold his crop. He must sell to meet the demands of his creditors. And behold, when the bulk of his wheat has passed out of his hands from his granaries to the elevators and mills the price of wheat has advanced, to the profit of the price manipulator, never to the farmer.

We challenge you to show an instance where the price of wheat has been advanced when the wheat was in the hands of the farmer producer.

I repeat to you, Senator, the confidence of the farmer must be restored, or the agricultural interests of the Northwest will face complete insolvency.

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Relief must come at once. He must be guaranteed cost price for his crop or can not put it in.

A minimum price on wheat is the only solution of the problem. And for such minimum price we do most earnestly petition our Senators and Congress.

S. J. MOULTON,
Wahpeton, N. Dak

ACRE COST OF PRODUCING WHEAT, 1921.

Hay, per ton, \$10—One-half cent a pound; 2,000 pounds; 40 days feeding; 50 pounds per horse, at one-half cent a pound, per day 25 cents; 365 days..	\$91.
Oats, 1921, 40 cents per bushel—Feed 8 pounds, 10 cents, three feeds, 30 cents, nine months, 275 days.....	82.
Two feeds per day, three months, 20 cents, 90 days.....	18.

Total horse feed, hay and oats..... 191.

Crop season, 214 days, April 1 to November 1, less 31 Sundays, 4 holidays, 1 work days; \$191.75 per feed year; 98 cents per day.

	Cost per acre.			
	Total.	Labor.	Board.	Horse
Harrowing, 25 acres, 4 horses; 30 acres, 6 horses; man's wages, 1921, spring, \$1.75 per day; board, \$1 per day—\$7 for 6 days' work, cost \$1.17 per work day:				
Man and board, \$2.92, plus 6 horses, at 98 cents per day, \$8.80; 30 acres.....	\$0.29	\$0.06	\$0.04	\$0.
Harrowing, accomplishing little more.....	.25	.06	.04	.
Seeding, man and board, \$2.90; 4 horses, \$3.82, \$6.72 (16 acres average day's work).....	.46	.11	.07	.
Plowing, fall 1920: Man, \$3; board, \$1.25; 6 horses, at \$1.25 per day, \$7.50 total, \$11.75 (44 acres average day's plowing).....	2.61	.67	.27	1.
Seed wheat, 1920 crop: Cleaning, \$2 (1½ bushels per acre).....	3.00			
Harvesting: Man, \$4; board, \$1.17; 4 horses, at 98 cents, \$3.82 (12 acres average day's work).....	.75	.33	.10	.
Twine, 2 pounds per acre, at 20 cents (manila).....	.40			
Shocking man, \$4; board, \$1.17 (10 acres average day's work).....	.50	.50	.12	.
Winds, etc., extra shocking each year.....	.15	.15		
Loss of 10 acres per 100 acres (drowning out, drought, storms, etc.).....	.66			
Thrashing, 28 cents per bushel (average 7½ bushels).....	2.10			
Hauling to elevator, 4 men, at \$5, plus a day each board, \$4.68; total, \$24.18; 8 horses, at 98 cents each, \$7.84; total, \$32.52.....	.32	.20	.05	.
Incidental, harnesses, fly blankets, oils, veterinary, 5 months' winter care of horses, 50 cents wage, board, 50 cents; 6 horses per quarter section.....	.22			
Servicing from horses equal cost of board.....	.60	.30	.30	.
Machinery used, three-fifths of man's wages.....	2.65			
Taxes, real estate, personal, 3 cents; hail flat.....	1.50			
Total.....	17.48	2.38	.99	2.

Land, basis value, \$50 acre, 6 per cent.....	\$3.0
Insurance on machinery, buildings, depreciation on above quarter section basis.....	1.0
Man's total wages of this acre.....	2.3
160 acres, salary.....	380.8
Man's board, 99 cents per acre.....	158.4

Wheat crop, State average, 7½ bushels acre; graded mostly No. 3 and No. 4 wheat. Surplus was sold on information given out oversupply of wheat; no export trade reason of low price, which was 97 cents to \$1 bushel through all the months of September, October, November December, and January. Farmers could get no credit and bills to pay with these discouraging reports, sold their surplus, which netted in practically all cases under \$1 per bushel. Even \$1 a bushel at 7½ per acre, would be almost \$10 an acre, without figuring in interest at 6 per cent on investment, insurance on machinery, on building, depreciation of the same.

Also, it would require at this number of bushels raised per acre, 1921, and comparative cost per acre, on the \$17.46 per acre cost it would require at our local market place here in Wahpeton of \$2.35 per bushel for No. 3, to meet the cost. Or \$2.53 for No. 1 Northern, in order that we get \$2.35 for our No. 3 wheat, on account of spread between grades.

S. J. MOULTON.

PRICE STABILIZING LONG PRACTICED.

We are told there are no precedents to guide us in any undertaking for stabilizing prices for agricultural products or in other words to enable the farmer to be assured of a reasonable price which in a series of years would give a fair return on his labor without undue profit.

China has had Government control of grain for nearly 2,000 years, dating back to the year 498 or 54 B. C., and I cite Dr. Chen Huan-Chang, the Economic Principles of Confucius and His School in volume 45, Columbia University, Studies in Political Science. The author informs us that the ancient custom was still in vogue in 1911 and he says (p. 573):

"The equalization of the price of grain is a very beneficial and practical scheme. It benefits the people without cost to the State. When the price is too low, through the Government buys the grain at a price higher than the market rate, this does not mean a waste to the Government. When the price is too high, though the Government sells the grain at a price lower than the market rate, it does not mean a loss to the Government. Even if it should be an expense to the Government, the social benefit is much greater than the public expense. On the contrary, as a matter of fact, the Government can make a profit out of this system."

Such is the conclusion of the author. Again he says (p. 572):

"When the price of grain was low, they should buy it at the normal price, higher than the market price, in order to profit the farmers. When the price was high, they should sell it at the normal price, lower than the market price, in order to profit the consumers."

The grain was stored in a Government granary called "constantly normal granary." Again the author says (p. 570):

"Therefore, even if famine, flood, and drought should occur, the price of grain would not be high and the people would not be obliged to emigrate."

Again he adds (p. 570):

"The Government controls the excess of supply in a good year in order to meet the demand in a bad year."

Commenting further, Dr. Huan-Chang says (p. 570):

"The policy of Li K'o is for the benefit of both society as a whole and the agricultural class. His main idea is for the welfare of the people only, and not for the finances of the State. Therefore, he is the real Confucian who stands on the side of the people and represents the purely economic doctrine is a practical scheme. When his scheme was carried out in Wei, he not only made the people rich, but also made the State strong."

The policy for equalizing the price of grain is stated as follows (p. 569):

"Those who want to equalize the price of grain must be careful to look at the crop. There are three grades of good crops: the first, the second, and the lowest. In an ordinary year, 100 acres of land yield 150 bushels of grain. In the first grade of good crop, the amount is fourfold, that is, 100 acres yield 600 bushels. Throughout one year, a family of five persons needs 200 bushels for their living, so that they have a surplus of 400 bushels. The Government should buy 300 bushels from them, leaving them a surplus of 100 bushels. In the second grade of good crop, the amount of grain is threefold, that is, 100 acres yield 450 bushels. The family would then have a surplus of 300 bushels. The Government should buy 200 bushels, leaving them 100 bushels. In the lowest grade of good crop, the amount is twofold, that is, 300 bushels. The family would then have a surplus of 100 bushels. The Government should buy 50 bushels, and leave them the other half. The purchase of the Government is for the purpose of limiting the supply according to the amount demanded by the people, and it should be stopped when the price is normal. This policy will prevent the price of grain from falling below the normal and keep the farmers from injury."

"There are also three grades of famine, the great famine, the middle famine, and the small famine. During the small famine, 100 acres yield two-thirds as much as in the ordinary year, that is, 100 bushels. The Government should then sell at the normal price what it has bought in the lowest grade of good crop. During the middle famine, the 100 acres yield one-half as much grain as in an ordinary year, that is, 70 bushels. The Government should now sell what it is bought in the second grade of

We rushed on beyond Rostov, and there met tens of thousands of refugees coming from the Volga district. It is interesting to know that all migrations go west. I presume every migration that we know of has gone west. At least all that I know of have and tens of thousands toward other European countries.

Senator GOODING. How were they traveling?

Mr. JOHNSON. They were traveling in any way that they could; walking, pulling wagons, riding on box cars, riding on bumpers. There were 26 on top of our car alone. I should have said that we had a special railway car with our own doctor, medicine and American canned food. The people traveled with horses, with oxen, camel mules—not mules but burros—every means of transportation that was available. There was not a train that was not absolutely covered with humanity, and those people—if I am diverting from the lines that you are interested in, I wish you would get me back onto it.

The CHAIRMAN. I wish either now or at a later time you would tell the committee whether, with that permission, you were ever interfered with as to where you should go or what you should do?

Mr. JOHNSON. I am glad you asked that question. We said to the Russian officials "We want to go in, provided we can go in and make a study." We were men of open minds. I had no prejudice of one kind or another, but we didn't want to be directed. You gentlemen know that most of the people who enter Russia enter by way of Riga. When you arrive there they ask you if you want to travel to Moscow by the State Department car—most people think this a great honor—then when you enter this car they provide guides, etc.

The CHAIRMAN. They really shape your course?

Mr. JOHNSON. This policy has a tendency to shape your course. Now, we didn't want anything like that done. They gave us permission to go wherever we wanted to go. We were not hampered in any way, shape, or form. We photographed everything, even to the armored trains, the insides and outsides. We went inside of the Kremlin and took photographs. We were only stopped once, and when I pulled out the mandate and called attention to the last paragraph reading, "Anyone who interferes with the proper procedure of this mission will be punished according to military law," they would immediately come to attention, salute, and walk off. So in this respect we had every opportunity to travel at will wherever we wanted to go.

Now, getting back to the agricultural conditions. These poor people were traveling in every conceivable manner. Just imagine a freight train, a mixed train, as you who have lived out west are probably familiar with, made up of passenger cars and freight cars and a little of everything else. Every available space where a human being could sit or lie down was occupied by men, women, and children. A woman with practically no clothing on with a shawl, possibly an infant wrapped in its folds was sitting on top of a box car.

Senator CARAWAY. Were they paying passage?

Mr. JOHNSON. They were not paying passage. To begin with, the Russian government tried to facilitate their travel in an orderly way, by providing trains, but those trains did not meet the situation, so they would get on any old thing that would move westward.

We would say, "Where are you going?" By the way, I don't speak Russian but we had a very good interpreter, and I spoke through him. The inevitable answer would be, "We are going where our eyes lead us." That is a Russian proverb. They were certain that they would arrive in a better place than the one which they left. Naturally there were accidents continuously from morning until night, more of them at night, because those people did not know how to ride the bumpers as well as some people do, and, furthermore, they had their families with them. Every Russian family is large, and there is always a baby in the family. The mother will usually care for the younger children and the father will take the others, provide the two parents, the father and mother, are living. Usually there is just one. Naturally, on the question of food, these people had no food whatsoever to speak of. They would eat watermelon rinds. They would grab for anything—even sunflowers. When they would get a handful of sunflowers they would just crack them with one motion of their teeth, blow out the hulls and eat the kernels. The sunflower is one of the good foods over there. They would pick up anything that might seem like food—pigweed seeds, acorns. Of course acorns were considered very good. They would take the watermelon rind, make a sort of paste out of it, add to that pigweed seeds, or millet seed, if they had it, and then would grind up birch bark, birch leaves, and mix this with the watermelon rind paste. The watermelon rind paste was simply a means of holding it together. That was a very common food. Those poor people were existing on that.

The CHAIRMAN. Now, gentlemen of the committee, we have Mr. Johnson with us, who is chairman of the committee of which Capt. Hibben is secretary, and we were all very much interested in the Captain's testimony. At my request, he wired Mr. Johnson, the chairman of that Russian Mission, and Mr. Johnson is here. We would be glad to have you take the stand, Mr. Johnson.

STATEMENT OF MR. ALBERT A. JOHNSON, DIRECTOR OF THE NEW YORK STATE INSTITUTE OF APPLIED AGRICULTURE, CHAIRMAN OF RUSSIAN MISSION OF THE NEAR EAST RELIEF, OF FARMINGDALE, N. Y.

The CHAIRMAN. Mr. Johnson, first state your name, your age, your occupation, where you were born and raised, and your present business.

Mr. JOHNSON. My name is Albert A. Johnson. I am director of the New York State Institute of Applied Agriculture. My residence is Farmingdale, Long Island, N. Y. I was born in Wisconsin and lived there for a couple of years, and then moved to South Dakota; spent the rest of my boyhood days there. What more did you wish?

The CHAIRMAN. I think that covers it.

Senator GOODING. Have you given your present occupation?

Mr. JOHNSON. My present occupation is director of the New York State Institute of Applied Agriculture.

The CHAIRMAN. You have lived on a farm all your life?

Mr. JOHNSON. I have lived on a farm all my life, excepting when I was in college. Since then I have been connected with and head of various institutions.

The CHAIRMAN. What college did you attend?

Mr. JOHNSON. The University of Wisconsin, College of Agriculture.

The CHAIRMAN. You were chairman of this committee of which Capt. Hibben was secretary, that visited Russia?

Mr. JOHNSON. I was.

The CHAIRMAN. When did you return here, sir?

Mr. JOHNSON. I returned on October 11.

The CHAIRMAN. Now, Mr. Johnson, we would be glad to have you tell us in your own way about what conditions are in Russia; what you saw and what you know about conditions.

Mr. JOHNSON. I presume I have to be brief in what I say, because I understand you only have a short time.

The CHAIRMAN. Well, we have until 11 o'clock, when we will have to answer roll call in the Senate. I think probably the committee will be able to meet after we go over to the Capitol and answer to our names. But you will have a half hour without interruption.

Mr. JOHNSON. If you will guide me along the lines that you are most interested in, I might be able to save time.

I presume that Capt. Hibben told you that both he and I were in Turkey and Armenia and Georgia. I have made a study of agricultural conditions there with a view toward recommending to the Near East Relief some way whereby those people could help themselves.

After making this survey, which covered a large part of Armenia and Georgia, I was returning home when the Near East Relief officials there received communication from the United States asking that a commission be appointed (unofficial commission) to go into Russia to make a study of conditions there, providing, of course, that permission was granted by the Russian Government. This request was made, but we did not expect to receive permission to enter, because similar requests made by committees in France had been denied; but suddenly—that is, three days afterwards—a communication came from Moscow asking for the names of the members of the commission and some information about the individuals. This was sent immediately, and a few days later permission was received. Of course, you have to give up your passport when you enter Russian territory, so we had no passports whatsoever, but simply traveled with the assistance of the government officials over there.

We left on August 16; left Tiflis on August 16, 1921, by way of Baku, through Azerbaijan, which is a republic; a socialist soviet republic. Conditions there were not so bad. We went along the Caspian Sea and then up to Rostov, through Kuban. Those districts were fairly good. But when we arrived at Rostov conditions were very bad, and we learned there that the grasshoppers had done a great deal of damage. Naturally I was more interested in the agricultural side of this proposition than any other side, even the political, although we came in contact with all phases of the problem.

Then a little later communism came on (I might have to go into detail a little bit). There are places in Russia where they have communes, and those communes are a small group of probably 10 to 20 families. Each little commune is controlled by a leader, who is a natural born one, a minister, or of some other profession. These communes have been successful in spite of what anybody might say. They have been thrifty for years and years. I presume communism is a name attached to them because of the communes, but it is not communism on a big scale.

Lenin and Trotski probably did not consult in any way the psychology of the mind of the peasant. You know 85 to 90 per cent of the people of Russia are peasants. But they concluded that because these little communes were successful, the whole of Russia should be communistic, and communism was forced on Russia, not because of the large number wishing it but because Lenin and Trotski thought it was the thing for Russia. It went into operation; for instance, suppose a farmer produced 3,000 bushels of wheat; the government representative would come around and say, "Well, now, you have so many members of your family; so many animals, 1,000 bushels is sufficient for your purposes. Turn in the rest to the government." Those peasants, while not educated, are good, kind-hearted people and could not see into a lot of these problems. They simply said, "Well, why work so hard and then have it taken away from us?" So they reduced the acreage to what they thought might be necessary for their own use, and that brought down the general acreage. Then Lenin and Trotski and a few of their followers took advantage of the situation. I don't think that some of the leaders, like Kamanev, Krassin and others believe in those things, but they naturally had to fall in line. So on April last they gave up communism. But that experiment, while it has done a lot of good in some respects, has proven to the world that communism is a failure even in Russia. It has done a lot of harm in reducing the acreage. Now, if that acreage had not been reduced in the outlying districts they would have had a little more grain than they had, even though they had a crop failure. So you see that had some bearing on the situation.

Now, these are two points I have mentioned.

The CHAIRMAN. They have done away with that now?

Mr. JOHNSON. Yes; on April 1 it was absolutely done away with.

The CHAIRMAN. That reminds me. This is of a political nature. I would like to ask you there, is that an illustration of what they are doing? I mean the existing government. Do they take advantage of mistakes? Do they admit they have made mistakes, and are they improving on them?

Mr. JOHNSON. They admit that they have made mistakes. They admitted to me that they had made mistakes, that they were making them right along; they were but human beings and were going to profit by them. They had their problems as all nations have. They had people hard to deal with just as any other country has when it comes to their national affairs. So they could not move as quickly as they would like to.

The CHAIRMAN. Now, do you think that government is stable?

Mr. JOHNSON. I feel that it is fairly stable. It was astonishing to me to find it as stable as it is.

The CHAIRMAN. Of course, we have probably had censored news here. I want to ask you a question I asked Capt. Hibben when he was here.

Suppose this Government decided that it would take some public funds and buy food and send it to Russia as a loan, not as a gift, and it would say, "We will require payment for this food, and fix the time so that you can pay it." Would we be safe in making that kind of a bargain with the Russian government?

Mr. JOHNSON. I feel you would be absolutely safe. Yes, I feel you would be absolutely safe, because we talked with the various people—

Senator CARAWAY. Let me ask you a question, if you please.

Mr. JOHNSON. Yes.

Senator CARAWAY. Is Russia so stripped of all food that now there is nothing left?

Mr. JOHNSON. That is true. There is very little food in Russia.

Senator CARAWAY. Are they doing all that they can to get along without the assistance from outside sources?

Mr. JOHNSON. They are making a desperate effort.

Senator CARAWAY. Are they, in your judgment, doing all that they can do for themselves?

Mr. JOHNSON. Yes; I should say so. I do know they are making desperate efforts.

Senator GOODING. Efforts are being made by the Russian government itself?

Mr. JOHNSON. The government itself is handling the problem to the best of their ability.

The CHAIRMAN. As I understand you, this condition of starving over there, with the exception of the illustration you have given here about the reduction in the crops, has not been brought about by any fault of the government?

Mr. JOHNSON. Now, I have here a third point.

Senator GOODING. I would like to hear the whole of the causes of the terrible condition that exists in any country where millions of people die from starvation.

Mr. JOHNSON. This third point I wish to make is the most important one.

In the Volga region they planted, in 1921, about 18,000,000 acres of grain, mostly wheat. Their seeding runs about 100 pounds to the acre, the same as we do. They received in return less than 1 bushel per acre, or less than 60 pounds of wheat per acre. That was due to the weather conditions.

I gathered statistics for 17 years previous to 1921. Then I gathered statistics for the year 1921. I compared the two, and I have here a chart that shows this graphically.

In the first place, the heat was intense. You may look at this chart whenever you wish, but there is one I want to call your attention to now.

Senator NORBECK. Let me ask you one question: What would be the average normal production?

Mr. JOHNSON. I think I would be safe in saying 10 bushels to the acre. I might say that what they needed was 1,000,000 tons of grain for food and 1,000,000 tons of grain for seed. That is a rough estimate.

Senator NORBECK. What did they get?

Mr. JOHNSON. They got practically nothing. If they had gotten 10 bushels to the acre they would have had over 5,000,000 tons of wheat. Now, there is the main cause. And just bear in mind they planted 18,000,000 acres.

The CHAIRMAN. You spoke of the reduced acreage. There would have been no famine if they had had half a crop?

Mr. JOHNSON. That is right. Of course they gave up communism. They gave up communism in time for the spring planting in 1921.

Senator CARAWAY. What do you mean by spring planting? When do they sow their wheat?

Mr. JOHNSON. In April.

Senator CARAWAY. Very much like ours?

Mr. JOHNSON. Very much like ours.

Senator NORBECK. Was the fact that they had given up communism known to the peasants in time so that they recovered from their indisposition to plant large acreage?

Mr. JOHNSON. I think most of them knew it. Then, again, of course they lost animals. But they gave up communism, and naturally people planted everything they could plant. They planted 18,000,000 acres in the Volga region. Two million tons of grain would have done the job—probably \$70,000,000 to \$80,000,000 worth of grain—and if they had gotten an average yield, they would have had five and a half million tons. Now, there is the answer.

Look at this one chart. This is the average amount of rainfall in April, May, and June—an average over 17 years. This is what they had in 1921.

Senator GOODING. Now, for what part of Russia?

Mr. JOHNSON. This is in Smara Province.

The CHAIRMAN. Give us that in inches, so that it will get in the record. What is the average rainfall for 17 years in inches?

Mr. JOHNSON. This is the average for the 17 years. The average for April was 0.83 inches; May, 1.53 inches; June, 1.85 inches.

Senator NORBECK. That is the average for the 17 years?

Mr. JOHNSON. That is the average for the 17 years for the three growing months.

The CHAIRMAN. Now, give us what actually fell in 1921.

Mr. JOHNSON. April, 0.07 inch; May, 0.01 inch; June, 0.20 inch. That is the answer.

The CHAIRMAN. That tells the story?

Mr. JOHNSON. Do you want the record of heat?

The CHAIRMAN. Yes; give us the heat.

Mr. JOHNSON. This is the average monthly temperature of the air for a period from 1902 to 1920 as compared with 1921: For the 17-year period—April, 41.2° F.; May, 55.4° F.; June, 59° F. The average for the same months for the year 1921: April, 48.5° F.; May, 66.7° F.; June, 78.8° F.

Senator LADD. Quite a difference.

Mr. JOHNSON. A decided difference.

Now, I have here the temperature of the soil and the evaporation, but I don't know that you are interested in that.

Senator GOODING. Here is one thing: I wish, if you have it there, you would give us the total annual moisture in those years.

The CHAIRMAN. Yes; you have only given it during the three months. Can you give us the same information for the balance of the year?

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Mr. JOHNSON. I haven't that. Of course, these are the three most important months of the year.

The CHAIRMAN. Still if they went into those three months with soil that was well moistened, it would help out.

Senator GOODING. The moisture in the soil might carry it on. In my section we have about 14 inches. When the soil is light it produces a pretty good grain crop without much moisture in those months.

Mr. JOHNSON. I haven't that information, but you might be interested in the evaporation of moisture from the soil.

The CHAIRMAN. Yes.

Mr. JOHNSON. For the 17-year period: April, 2.16 inches; May, 5.4 inches; June, 5.35 inches. And then for the year 1921: April, 3.56 inches; May, 8.38 inches; June, 11.6 inches.

Senator GOODING. That is evaporation?

Mr. JOHNSON. The evaporation of moisture from the soil.

Senator GOODING. An unusually hot spell; the tempreture was high?

Mr. JOHNSON. Yes; I gave that.

Senator LADD. Have you the amount of moisture that was in the soil the same three months?

The CHAIRMAN. He gave us that.

Senator GOODING. No; that was about the evaporation.

Mr. JOHNSON. This is the evaporation. No; I didn't get that.

The CHAIRMAN. You gave us the rainfall?

Senator LADD. Yes; he gave us the rainfall, but I meant the amount of moisture in the soil at the start.

Senator NORBECK. The average rainfall for the three months would hardly produce much.

Mr. JOHNSON. This is evaporation. This is only the moisture remaining in the soil.

Senator NORBECK. It is important to know their annual rainfall.

Mr. JOHNSON. I didn't get that. Their statistics were arranged in the way I have given them to you. It would have been well to have gotten that information, but you know those three months seemed to me the most important months.

Then we arrived in Moscow and immediately arranged for our conferences with the various department heads. By this time Mr. Connes, our interpreter, was taken ill, as we thought with typhus, although it turned out to be malaria. We had him in Kremlin Hospital, which was intended only for the high government officials, and they granted that permission. In fact, they suggested it. I felt that was showing a great deal of consideration, because the hospital was jammed at the time. When we learned from our own doctor that it was malaria, we immediately got a stretcher and took him back to our car.

Our first conference was with Kamanev. Kamanev is a short, stocky fellow, always smiling. He seems to be very intelligent, very direct. Mr. Kamanev is, first, mayor of the city of Moscow, governor of the State of Moscow, and chairman of the All Russian Committee on Russian Relief, and also on the governing committee of the country.

We discussed with Kamanev the famine conditions. He gave us a lot of statistics, which we compared with the statistics we had gathered. He showed great appreciation for what Americans were planning to do. We explained to him that we were not connected with any organization, that we did not represent anybody but ourselves, but that we were going to report to the American people and to any individual or organization that would have charge of relief work in Russia, if any such organization was perfected.

He expressed himself as in favor of means whereby the Russians could help themselves. In fact, all of the men used that expression often—"Help us to get a start." He explained that these several years of war had taken everything from the people, practically everything in the way of tools and otherwise, and he said, "If you people can help us, of course, first with food, because we don't want to see these millions of people die, if we can prevent it, but we must look ahead. We must not stop. We know that a lot of people are going to die, but we must look ahead to prevent a repetition of this next year or the following years. Now, if you could help us, outside of food, with small equipment, hammers, axes, saws, so that our people can get down and begin to work, building up the country, replacing the things that we have lost during these years of war, you will be doing us the greatest help that you can possibly do, aside from helping to feed those that are dying of starvation now."

I will not take very much time with this, because I could put in an hour on each subject if I should get started.

We then saw Chicherin. Chicherin is a tall fellow. He stood with a paper in his hands when we entered the room. I introduced myself. He said, "Yes; I knew that

you had arrived last night." He was very direct, and he looked at each one of us as much as to say, "I just wonder what kind of people you are." So I decided it might be well to tell him about each individual composing the commission. There were only four then. Mr. Connes was sick in the car. So I started to explain that this man was engaged in this work in the United States. He said, "Never mind; I have your full history here." And that was the paper he held in his hand. I learned that they have a very good wireless system over there. They all speak English, by the way, and Mr. Chicherin disconnected his telephone, called a secretary, and said, "Don't interfere with this conference until I am through." We discussed a little of everything, although he would not speak freely. He would say yes and no and things of that kind, and we felt that it was a shame to come all that distance and just get yes and no. Realizing that if you want a _____ to talk, you must rough his skin, and believing that the same principle might work on human beings, if you will just rile them enough they will talk, I decided to try it, but didn't know just what to say. In Russia, when you talk about their divorce laws, marriage laws, and executions it is a very touchy subject, because they had been accused of some questionable things regarding these matters. So when the opportunity was right I said, "We understand that you have had quite a lot of executions over here."

Well, I think we applied a trifle too much of that roughing, because Chicherin arose in his chair and held his hand in the air. On the right hand side there was a file of American newspapers, a prominent New York paper was on top, and on the left was a file of British newspapers. He slapped the file of newspapers as hard as he could, and he said, "It is propaganda. You people think you can come over here and see people hanging at the ends of ropes, and others eating each other." "Now," he said, "we have furnished you a mandate which will take you any place in the country where you want to go; you can see what you want to see, photograph what you want to photograph, and decide those things for yourselves." We didn't have to do very much talking after that. He was very nice and he spoke very freely about everything.

One question came up, and that was the question of trade relations with the United States. One of us said, "Well, who would wish to trade with Russia, because you refuse to pay the debts of the old Russian Government?" And again he seemed to be irritated. He said, "No, we haven't done that." He said, "We will pay every cent that we owe."

By the way, this was on August 23, and you probably recall that three months later there was some similar statement from Chicherin in the newspapers.

He said, "We will pay every cent that we owe, but bear in mind that we have lost 7,000,000 lives fighting with the Allies, and also that when the war was over the various countries rushed into help build up France, and what happened in our country? After losing 7,000,000 lives fighting with the Allies, we had four revolutions, and those revolutions were fostered, carried on or supported by the Allies that we had been fighting with." He mentioned the four, and every time he said "Kolchak" he shook his finger at me, and he said, "And you people sent over 50 locomotives to help him." "Now," he said, "these armies drew their food from Russia; they drew their men, and they took the farm animals from our farms, and we were practically down and out. Our Red army had to fight all of them, on four different sides." And he went onto explain. He said, "Denekin went down South, came from the South, came within 75 miles of Moscow and was defeated. He retreated. He leveled every building. There was hardly a building three stories high, and probably down to two stories, and they were apt to be lowered in his retreat. He flooded the Donetz coal basin." We saw that, and it was certainly flooded. Practically no coal is being produced; very little, unless it happens to be some new place. I saw with my own eyes I presume millions of box cars burned up. There was hardly a bridge left. They were rebuilt with timber and seemed to be done very well. I was astonished. Traffic was going on as usual, but the bridges were down in the river. I saw piles of locomotives, heavy duty locomotives that were run off the ends of bridges, lying in the river. In fact the destruction was so great that you could hardly believe it. Chicherin reminded us of those things, but we had already seen them. Now, he said, "We have counterclaims and we want this matter put on the peace table, and the minute that is done and settled we will agree to pay our debts; but we have counterclaims that those countries must recognize, and when that is settled, we will pay, but we will have to ask that those payments be spread over several years."

Senator NORBECK. Will they counterclaim more than they owe?

Mr. JOHNSON. I don't know about that.

The CHAIRMAN. Now, I take it that that meant the counterclaims for the damage done by Denekin and those others that were supported by our country and the rest?

Mr. JOHNSON. He did not really claim that the United States supported that part. He meant certain European countries. He mentioned the names. I had probably better not mention them unless you should wish to know.

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Senator NORBECK. No; we don't need that.

Mr. JOHNSON. The destruction was great, and it was not done on the way up, but on the "coming back."

Senator NORBECK. Did he fix the amount of their counterclaims.

Mr. JOHNSON. No; he did not fix the amount.

Senator NORBECK. In general terms?

Mr. JOHNSON. In general terms. He was very emphatic that they were willing to pay. I got that three months ahead of his announcement in Riga, as you recall, and, of course, in a great deal more detail than I am telling you gentlemen now.

We discussed practically everything, of course always came back to the famine; but we knew that so well it was comparatively a simple matter.

Our next conference was with Krassin. Krassin is a short fellow—a well-educated man. We entered his room. He passed cigarettes and said, "Now, just one minute."

Senator NORBECK. Does he speak English, too?

Mr. JOHNSON. Yes. I was just going to mention that. He said, "Just one minute, and I will call my interpreter." One member of the commission said, "You need not call an interpreter. We understand you." He said, "Well, I ought to know a little English, I had a good teacher in London." It seemed as if he wanted us to ask who was his teacher, and we said, "Who was your teacher in London?" He snapped back "Lloyd-George." I did not know until then that he was chairman of the commission that negotiated the trade relations with Great Britain and had had several tilts with Lloyd-George. He said, "When I went over there I knew no English. I know a little now." He seemed to be pleased that we did not want an interpreter, although he did have some difficulty. Krassin said, "We appreciate what you people are thinking of doing, your good spirit, all this and that, but," he said, "of course, we haven't money now. We haven't food to feed these people, and we want to get all the food we can to prevent our people from dying; but the big thing that we want today is to be permitted to deal with your people and to put it on a business or commercial basis. Now," he said, "if we could do that we can pay. Russia has unlimited resources. It needs organization." He mentioned what Mr. Chicherin mentioned, the fact that they needed hammers, saws, axes. He said, "We need all of those things so that we can begin at the bottom." By the way, you know Russia has not a great deal to learn in the way of making homes or equipment, because they naturally make those things. With their axes and saws and other tools they go right out into the woods, make their wagons, their sleighs, practically all of their harness for their horses, and their own utensils. But in order to make them now they must have some new ordinary tools. That is really the great need. They need those things so that they can go to work. They are willing and eager to work.

The CHAIRMAN. I suppose they would want plows and also tractors, since they have no horses?

Mr. JOHNSON. They do need large quantities of machinery. We saw the secretary of agriculture; we went into that very thoroughly.

The CHAIRMAN. What was this man's name?

Mr. JOHNSON. Mr. Krassin.

The CHAIRMAN. He had charge of transportation, did he?

Mr. JOHNSON. No, he is commissar for foreign trade.

The CHAIRMAN. Who was the fellow who had charge of the railroads?

Mr. JOHNSON. Prof. Lomonossoff.

The CHAIRMAN. Did you have a conference with him?

Mr. JOHNSON. Yes. We had a conference with him in Moscow, and another one in London.

Mr. Krassin told us about the Russian trade relations with the various neighboring countries.

While I was in Moscow I went through the freight houses, with a view toward looking at the labels and seeing what they were shipping in, and I found practically all of the small stuff came from Germany. I also found this feeling amongst the peasants, that they dislike the Germans very much. They have a sort of hatred toward them, because they had lost 7,000,000 lives, members of their families who were killed by the Germans. But, on the other hand, they recognized their ability to organize, the value of their commerce, and things of that order. So, in spite of their dislike for the Germans, they went there to trade with them, because they could get things quickly, very much more so than in some of the other countries, and that seemed to please the Russians.

Mr. Krassin told me about the shipping facilities. At that time there were 100 ships in harbor at Petrograd unloading. That is why those ports up there were more or less congested. It was difficult to handle even that small amount of business.

He also spoke about the trade relations with Sweden. First they placed contracts for 750 locomotives with Germany, and another one with Sweden for 750 locomotives, and they paid, as he had informed me, 20 per cent cash when delivery was made. I presume they had some guarantees beyond that. Part of those locomotives were to be delivered in each year, not all in any one year. The Swedes had built the factories, or probably enlarged, really, the factories for building locomotives. They showed us photographs and pictures of them. Finland is trading a lot with Russia. I presume Finland is growing more rapidly than any other country in trade relations over there. At least they have the best equipment in Moscow. They were around there in beautiful new automobiles, and things were going in fine shape. They were doing a fine line of trade, even all the way down in the Caucasus Mountains, Tiflis.

Our conference with Lomonossoff was a little unusual. Prof. Lomonossoff had charge of the railroads during the Czar's time, and then with Kerensky, then again with the soviet government. Now he has charge of purchasing of railway supplies, reequipping to get the railways going again. He feels he will have the railways in complete shape by 1927. He is a very capable man. While a lot of people say that he has changed from one government to the other, his ability is what they are after.

We had gathered information as to how to ship the food to reach the devastated regions best, so recommended through Novorossisk. Then we submitted our figures to him. We said, "Professor, we wish you would be frank and perfectly free to criticize our plan." He made one or two slight suggestions and then said, "You have got the best plan that I know of." And there was a man that knew the transportation facilities as well if not better than any man in Russia.

The CHAIRMAN. Did you tell that to Hoover when you got back?

Mr. JOHNSON. We transmitted all that in a 720-word wireless message.

The CHAIRMAN. Did Hoover follow that plan?

Mr. JOHNSON. I don't think so. That arrived in Mr. Hoover's office. In fact we sent our communications to Mr. Hoover. We never received a reply of any kind. We sent a 720-word wireless message. That is a pretty long message when you realize how they condense those things. We were, of course, very sorry that it was not followed, but we could do little or nothing. Now they are coming to that system. They are coming to the Black Sea. We recommended the Black Sea ports.

The CHAIRMAN. When you got back here did you or any of your committee go in conference with Mr. Hoover?

Mr. JOHNSON. We notified Mr. Hoover we had returned and that we should be glad to give him any and all information that we had. We had our report typewritten. A portion of the committee went down and placed the report in his hands. I unfortunately had to go to Albany that day and could not go down. I had seen him before I went over. But he received all the information that we had.

The CHAIRMAN. Did he act on any of it?

Mr. JOHNSON. Well, I can't say that he did. I don't know that he did. He may have and he may not have.

The CHAIRMAN. Did he ever send for you or any of your committee?

Mr. JOHNSON. No; he never did. We, of course, were eager to give the information to anyone that wanted it.

The CHAIRMAN. Mr. Johnson, it was announced here by Mr. Hoover, or at least the people got the idea from his announcement, that even the soviet government wanted us to let up on shipping in there, because they didn't have any facilities to take care of it. Do you agree with that proposition?

Mr. JOHNSON. I don't know that they ever made such a statement.

The CHAIRMAN. Of course I didn't hear him make such a statement.

Mr. JOHNSON. I mean I don't know that the Soviet government ever made such a request.

The CHAIRMAN. That was the understanding that the people got from the announcement coming from Mr. Hoover.

Senator GOODING. I think your secretary, Mr. Hibben, testified here on that matter, and I think he cleared that up very well.

The CHAIRMAN. He gave an explanation of it, yes; but I wanted to get Mr. Johnson's idea about the same proposition.

What is the fact about it, from your information? Were things blocked up there so we ought to have held back our contributions?

Mr. JOHNSON. I certainly don't think so. I don't believe it, because there is more than one port on the Black Sea. There are many ports on the Black Sea that could be used. While I am not familiar with some of these things, I am familiar with conditions over there. Of course they got into a jam with the ships in the Black Sea. I read an account that they had 27 ships on the Black Sea, and some of them got stuck in the ice. That is possibly a newspaper report. Of course 27 ships would make

it difficult in the Black Sea, but certainly I don't believe that the Russian people would ask that shipments be delayed. With them it was "every second counts every second, and we urge haste in every operation. We work night and day."

As you know, in Moscow the government office hours are from 12 at night until in the afternoon. I don't know how you would like those hours.

The CHAIRMAN. Did Hoover's representatives get in there before you got out?

Mr. JOHNSON. Yes, sir.

The CHAIRMAN. Did you come in contact with them?

Mr. JOHNSON. Yes, we saw them.

The CHAIRMAN. Did you give them any information?

Mr. JOHNSON. We offered all the information we had gathered.

The CHAIRMAN. Did they accept it?

Mr. JOHNSON. They didn't seem at all eager to get it.

The CHAIRMAN. Did they get it?

Mr. JOHNSON. They didn't get it. We gave them all the information we had, then we sent telegrams back to them when we arrived at Samara. They arrived on Sunday morning. They had two large cars. I think there were one or two flat cars with automobiles on them. They arrived on Sunday morning about the 24th or 25th, or about the 27th of August, something like that, and we heard of it and immediately went down to give them anything and everything that we had observed all the way from Kifis back to Rostov, all the way up to Moscow. We had a pleasant conference with them. We had been working all night, and naturally were a little tired, but we offered them everything that we had.

The CHAIRMAN. Did they avail themselves of your information?

Mr. JOHNSON. No; I don't think they did. I had the feeling that they probably thought we were a rival organization, which was not the case.

Then, after we went into Samara we sent telegrams back to them telling them of the desperate needs, and by all means to save time.

Senator GOODING. Are you speaking about the Red Cross?

Mr. JOHNSON. No; I am speaking now of the American Relief Administration.

Senator GOODING. Did you come in contact with the Red Cross while you were over there?

Mr. JOHNSON. No. We were the first commission to travel, or to be permitted to enter Russia and travel through the entire country since the revolution. Others might have gone in and traveled part of the way and back, but we went in through the south and traveled all up through there.

Senator GOODING. How many miles did you travel?

Mr. JOHNSON. I should judge it was over 5,000 miles. Right around there, if I remember.

The CHAIRMAN. I am informed that Mr. Hibben testified that you traveled 5,700 miles.

Mr. JOHNSON. It was over 5,000 miles. The roadbeds were in good shape. It was astonishing.

Senator GOODING. Did you go over that whole course of 5,700 miles and see nothing but this condition of suffering humanity? Were there no bright spots at all in all that distance?

Mr. JOHNSON. The only bright spot I saw, really the only smile that I saw was on the face of a little boy about that high [indicating].

We had food for three and a half months.

Senator NORBECK. With you?

Mr. JOHNSON. Yes, sir; American canned food. I naturally would slip a can of something under my coat or a piece of bread and get out; try and slip it to somebody when no one else was looking, because if they all saw it there would be a jam and you would be doing a great deal more harm than good. Early one morning I looked out of the window. There was a mother with practically no clothes on with a little girl and a little boy. They were looking around, occasionally picking up a sunflower seed or a little piece of something that might look like food. I rushed back to the kitchen on the car, got a piece of bread. The little boy was standing over in a direction about like that [indicating] and the mother was going in that direction [indicating] with the other child, but the little boy was looking toward the car. As I leaned out of the window with this piece of bread he shouted, "Mother, khlieb, khlieb." I think that is the proper way to pronounce it. The little boy had seen some bread. He absolutely shouted and shook with glee, but he didn't smile. The mother turned around and came up to the car. The car was fairly high up. She held her skirt so that I could drop the bread into it. She wanted to save every crumb. Then they immediately started to eat it. It affected me so much I went back and got two cans of condensed cream and also our interpreter. I just had to give those little children

something. I felt that I would feel better if I did that. Of course, I had to explain how the cream was to be used; one spoonful of that stuff to a cup of water. So I went out with the interpreter, got the mother, and told her through him just how to use it. I handed the can to the little boy. You should have seen how he grabbed it. You couldn't have pulled it out of his hands, I don't believe. He absolutely grabbed it and held it. That was the only smile I saw in Russia.

Senator GOODING. And you traveled 5,700 miles and saw thousands and tens of thousands of people?

Mr. JOHNSON. Hundreds of thousands. Of course, you understand I have seen a smile, but I mean a real smile. This one instance was particularly pathetic, but I really believe there are others like it, and worse that happened time and time again; yes, hundreds of times possibly. Now, these poor people, these peasants, are good people. By the way, you have heard stories that these Russian mothers have thrown their children away. I don't believe one word of it. I don't believe there is a word of truth to it. I think they will fight to the end for their children. I saw it all through Russia. Those poor peasants came in from the farms. They had probably never been on a railway train, and they were going to go west. They were going to jump on a train and get away from their homes. As I said a little while ago, every family is large, and every family has a baby in it, the mother will take the younger children and the father the older. Suppose they have five or six. Say five. The mother will probably take the three younger children and the father the two oldest. They come down to the station to board a train to go somewhere. They don't know where they are going. The train comes in and a lot of people get off. They have no permission to stay on the train when the train is standing still, so everybody jumps off. The train stops a while, then pretty soon they see it is time for the train to pull out. The mother may be down here and the father there, because they all can not get on in one place, so they attempt to climb up. They will get on any old place on the car, or under the car. The mother will probably get on with two of the children, and by that time the train pulls out. The father probably did not get on at all. He will pick up the stray child left by the mother. There is no chance, except through a miracle, that that family will be reunited, because the trips are long between the stations, and the mother is gone with probably two children, and with probably nothing but a bag with a little food, sunflower seeds or water melon rind, or something like that in it.

Senator GOODING. But is this condition common all over the country?

Mr. JOHNSON. Yes, sir.

Senator GOODING. There is nothing else?

Mr. JOHNSON. No, there is nothing else.

The father waits until the next train arrives, then makes a desperate effort to get on. He will probably get on with one or two children. Thus the family is divided into three parts. I saw numerous cases where a little brother or a sister was taking care of a younger brother or sister. They would run up and down the platform trying to pick up something here or there to keep them alive. The families were absolutely separated, and those little bits of tots were struggling for existence. You would think that the grown-ups would help them out, but there are so many of those little ones. They are there by the hundreds. It was almost impossible to do anything for them. The result is, that they will probably live a couple of days and then cholera or typhus will come and take them off just that fast. When the end comes they are simply pushed out into the gutter on the street, and there they lie there until 11 o'clock, when the dead wagon comes around. They are just thrown into the bed of the wagon. The wagon boxes are not solid. They are made out of rails, and the bodies pitched in on them. They looked like cord wood. I followed one dead wagon from the time it started until its task was finished, so as to get information first-hand. I photographed every step. These poor children and a lot of others were simply picked up and thrown into it, hauled away, thrown into a hole, the hole filled up with dead bodies within 6 inches of the top and then the dirt thrown over all. It is a very brutal sight.

The man that drives the dead wagon—and, by the way, dead wagons are just as common as grocery wagons in this country—the driver of the dead wagon gets, as a rule, a definite allowance of 1 pound of bread a day for doing that work. I have seen them unload a load of bodies, go down and pull a leg or arm, pull the body out, throw it into the hole, then reach down, dry their hands in the dry clay between the bodies, and go on for the next load. That was all there was to it. You can not exaggerate the conditions, as far as suffering and death are concerned.

Senator KENDRICK. What time were you over there?

Mr. JOHNSON. That was September.

Senator KENDRICK. 1920?

Mr. JOHNSON. Oh, no; in 1921.

Senator KENDRICK. They had gone through three winters?

Mr. JOHNSON. Yes, sir.

Senator GOODING. Three winter seasons?

Mr. JOHNSON. Yes, sir. In Moscow, when we were there, it rained continuously, and was absolutely so cold at night that I actually suffered. I put every rain coat on me that we had. We had a little rug in the bottom of the car, and I wrapped that around me. I had every newspaper I could get my hands on around me, and then I was so cold I had to put my hands over my lungs. I never suffered so from the cold in my life. This was really the first part of September or the last part of August. And just to think of those poor people standing out there; some mothers standing out under a shelter, under the end of a box car, with little infants in their arms. It was horrible.

Kolchak came within 20 miles of Samara; then he was driven back. I went way out into the country into a little village. When I arrived we had ordinary clothing on. I had stuck to some light suits, so they knew we were foreigners, Americans. A mother came up to see us with some children, I think about six. I had an interpreter with me, and the following conversation took place. She said, "Are you American?" I said, "Yes." She said, "Have you any food in America?" I said, "Yes, we have some." She said, "What kind of a God is that in heaven to give Americans food and poor Russians no food?" She said, "Here are six of my children." She said, "I hope the cholera comes and takes every one of them immediately." She said, "As far as I am concerned, I don't care. I am ready to die any minute, but," she said, "I know I will die before my children, but I can not bear to die realizing that my children will die gradually through starvation." I also saw a little baby nursing. The mother's breast was just like a fold of cloth.

In that same little village—I have forgotten the name of it—a mother the day before had gone insane and had killed her little child with a hatchet. We saw those cases right and left everywhere.

Senator KENDRICK. Let me ask you, while this was the situation with the people there with whom you came in contact, this pitiful suffering, was there any evidence of any other condition of the people around in the neighborhood having enough food?

Mr. JOHNSON. No, not one. I didn't see a one. I didn't see it in Moscow, and here is a little thing—I don't know whether you want it on the record—it is just a rumor.

The CHAIRMAN. Take it down, anyway, and we can have it stricken out if you want to.

Mr. JOHNSON. It is just a little insight that may give you the idea. Our interpreter, Mr. Connes, was taken ill, and, as I told you, they permitted us to put him in the Kremlin Hospital, which is intended for high soviet officials. He is a very keen observer and a fellow that would see things. Trotski's apartments were just across the hall—not a hall, but across the building, I don't suppose over 50 feet away, probably a little bit more. I said to Mr. Connes, "Mr. Trotski was in Moscow the first couple of days that you were there, what did you see him do? Did you see what he had to eat?" He said, "Yes." I said, "Well, what did he have?" He said, "He didn't have any more than the rest. He may have had a little bit more, but I didn't see it." He said, "I saw the fish soup," which was common with everybody.

I am just mentioning that to show you that even Trotski, who is one man who used to have a great deal said about him, is not living on the fat of the land. (I would rather that not go in.)

The CHAIRMAN. I would rather you would leave it in, if you don't mind. That answers a question I had in mind asking you. I was going to ask you if some people over there had plenty while all that suffering was going on. Of course you are the judge of your own testimony, and we will not leave it in unless you want us to, but it is very important, I think.

Mr. JOHNSON. Well, it may remain in, so far as I am concerned.

We saw a lot of people of high rank over there—I mean people in authority—but I don't believe that they have much more than the others. I went through the various government buildings where they keep the fish. They have so-called fish soup. It is nothing but a little piece of fish put in some warm water. It is probably nourishing. By the way, many of those fish were taken out of the Caspian Sea by bandits. The Russian Government captured a lot of bandits in the mountains. They sent them down to the Caspian Sea to fish and get food for the people. We encountered quite a few of those bandit bands, but they constitute only a small group that is not claimed by any organization at present. Naturally they are all to themselves, and go up into the mountains and live there for a while.

Senator KENDRICK. Did you say that Moscow is within the area of the famine, or is it out of it?

Mr. JOHNSON. It is out of it. It was out of it when I was there. They were hungry, but they were not dying.

Senator NORBECK. The crop failure did not extend into that section of the country?

Mr. JOHNSON. Not as badly. They had very little food. In Petrograd the famine is not so bad, because they could fish. It is a port of entry for foods of all kinds.

Senator KENDRICK. So the route you traveled in that country was the route through Moscow and Petrograd?

Mr. JOHNSON. No; we didn't go to Petrograd, because there was not much need. We had to go to Moscow to have conferences with the Government officials. Then we went right into the heart of the famine district, all the way down.

Senator GOODING. How large a portion of Russia is affected by the famine compared with the whole country?

Mr. JOHNSON. Of course, Russia has changed its boundaries a great deal.

Senator GOODING. As we know it.

Mr. JOHNSON. The Russia of to-day—well, I suppose that—it is hard to answer that question. I suppose one-seventh of Russia; but it is the portion that produces the food, both for Russia and for Europe, that is affected mostly; it is the granary of Europe that was hit hardest. In Samara they had cholera and typhus; in fact, every disease that acts quickly was prevalent. We called on the governors of practically every State we stopped at, and they gave us information freely; every request was complied with. In Samara we went down to the river to see the transportation facilities. The railroads do not parallel the Volga; so you have to go out back and forth like this [indicating], which made it still better for us, because we could see the country from that angle. We, however, followed the general direction of the Volga, and the conditions there were terrible. The congestion was frightful. Wherever there was space to pitch a camp they would come.

Senator KENDRICK. And people were moving out of there, going somewhere else?

Mr. JOHNSON. Yes.

Senator KENDRICK. And in what direction where they going?

Mr. JOHNSON. West.

Senator KENDRICK. Did that take them out of Russia into other countries?

Mr. JOHNSON. They would get half way to the border and the Government would stop them. Of course, the other governments would prevent them from entering.

Senator KENDRICK. Then they were prevented from crossing the boundary line?

Mr. JOHNSON. Yes.

In Samara I saw one picture that was very pathetic. Three tots, one little boy about 4 years old—Tartars—had walked, we figured out, it must have been about 500 miles; they thought when leaving the famine section they would get into a better place, but they got into the worst section of Russia possible.

Senator NORBECK. What is the population in that section? Is it mostly Russians?

Mr. JOHNSON. Yes; Russians. Then, of course, there are quite a few Tartars, men that come over from China, and there were a few Chinamen.

We went through the Penza region, where they raise a lot of horses and grain. I saw there a thing that might interest you people. I used to serve in the Army and am somewhat familiar with Army affairs. I saw an officer at one of the sidings in Penza. You can hardly tell an officer from a private. Somebody said, "There is a brig. com." That was a new military expression to me. I said to a fellow, "What do you mean by brig. com.?" He went on to explain that he had charge of a brigade. They have contractions. Brig. com. meant brigade commander. I decided to have an interview. I walked up to him. He was talking English. That is why I was attracted to him. I said, "Where did you learn your English?" "Brooklyn." "What is your position in the army? You are a high officer, I believe?" He said, "Yes." I said, "How large a portion of the army do you have charge of?" He said, "I am a brigade commander." I said, "In other words, you rank with what we call in our country a brigadier general?" He said, "Yes, sir." I said, "Do you mean to say that you used to live in Brooklyn?" It developed that he had not been in Russia more than a year and a half.

Senator NORBECK. Had he been born in this country?

Mr. JOHNSON. No. He was born in Russia and was forced out by the Czar's Government, and then went to Brooklyn.

This is the interesting part. I said, "What were you doing in Brooklyn?" He said, "I was a shoemaker." It did not sound just right, so I began to ask him some questions about the various things in Brooklyn to determine whether or not he was telling me the truth. He told me about the bridges, etc., in such a manner that I knew he was well acquainted with Brooklyn and telling me the truth. Then he explained that he was in Russia during the Czar's time; that he had a position in the army, but had spoken too loudly; had had to leave Russia in order to save his life.

He went to New York, over into Brooklyn, to do anything he could do. He could have secured a laborer's job, but decided he preferred repairing shoes or work of that kind. He got what he wanted at last and remained in America until there was a chance to get back; then he rushed back as quickly as possible.

That is the case with hundreds of people. In Chicherin's office a man at the head of the Anglo-American bureau is Weinstein, who has been in Russia less than a year. Weinstein was the editor of a Russian paper.

Senator NORBECK. They were from America?

Mr. JOHNSON. From America, a large number of them. The political head of the Eleventh Russian Army was Lisofsky. He was in a machine shop in Detroit, Mich., about five years ago. He is the political head now of the Eleventh Russian Army.

The CHAIRMAN. What do you mean by the political head?

Mr. JOHNSON. The Red army has two heads in time of peace—the commanding officer, a military man, and then the political officer, and the political officer has charge of a little of everything.

Senator NORBECK. Civil officer?

Mr. JOHNSON. A civil officer. For instance, if you were a farmer and the Red army were near you during the harvest season, and you say, "I must have 10 men to help me harvest my crop," all you have to do is to go to the political officer of one of the units and say to him, "I need 10 men to help harvest my crops," and that civil officer will detail 10 soldiers to go out and help you harvest your crops, and you feed them, but you don't pay them.

Senator NORBECK. The political officer is really the superior officer to the commander of the army?

Mr. JOHNSON. In time of peace I think he is, but in time of war he is not. I became very familiar with the affairs of the Red army through this man Lisofsky. I was watching from a near-by building one day the army on march. First came the cavalry. Next came the artillery. Then I waited a minute. I thought, "Now comes the infantry," but the next column was a column of mowers, about 20 mowers, with teams hitched to them, and a soldier sitting driving the mower. I could not see what was behind them, therefore I was curious to know what the next thing would be. They were the hay rakes. Then came the hay presses. That gives you an idea of what they do with the Red army. They were going out to cut hay and make hay and bale it. The Red soldiers go to school half of the time, then drill, etc., the other half of the time.

The CHAIRMAN. What is the use of this army now? There is no danger of revolution or invasion, is there?

Mr. JOHNSON. There doesn't seem to be, although they think there is. In fact, I believe that they are keeping these young people in the army to educate them, because they are stressing that. They have moving libraries. They have everything you can think of, but they realize that in certain sections of the country there is an illiteracy that seems obstinate to combat, but if they remove this illiteracy they probably will be more successful.

The CHAIRMAN. Senator France is here, and he is very much interested in this subject. I wish Senator France would ask any questions that he sees fit.

Senator FRANCE. This testimony is very interesting, indeed.

The CHAIRMAN. If you have any questions, I hope you will consider yourself a member of the committee.

Mr. JOHNSON. If you have any more time, perhaps you would like to ask me some questions.

Senator KENDRICK. You have given us a very graphic description of condition over there. I wanted to ask you a question. You spoke a moment ago about the head of the Russian Government, and the fact that these people talked to you so intelligently about their relationship with foreign countries. What, if anything, are they doing or trying to do toward relieving this suffering in the famine area?

Mr. JOHNSON. Well, I believe they are doing everything that they can possibly do. For instance, I will give you an illustration in the case of Samara. We came in in a hurry. We didn't know just when we were going to arrive. We sent word that we would like to see the governor, or the highest official, whatever they called him over there. He was soon ready. He had his staff of agricultural men, the ones that could give us the information, and appeared himself and gave us everything that he could. He seemed to be eager. We could also see that he was eager to help otherwise.

Down at Tzaritsin, we arrived there late. We saw that we could not go up to the governor's office or call on him, and so somebody suggested, "Well, let us send for the governor," and sure enough we sent a messenger up, and within two hours the governor was down in our car with his books and three of four of his assistants. He came all the way down to the car in the yard and gave us the information. He was absolutely

bearing with enthusiasm. He saw the opportunity to help. They all seemed willing to work night and day. There was no question about hours, or anything like that.

The CHAIRMAN. What about your car? Did you have to pay for transportation?

Mr. JOHNSON. No; we didn't.

The CHAIRMAN. And you routed it as you pleased?

Mr. JOHNSON. Yes.

The CHAIRMAN. They took it wherever you wanted?

Mr. JOHNSON. They took it wherever we wanted to go. In some cases, going down into the Volga district, we went back and forth. We had to connect up with systems. And when we wanted to get across they would give us a special engine. Once or twice they hooked on two or three cars of bandits, but we didn't mind that part of it.

Senator KENDRICK. I take it that none of those railroad men had come from the United States, under those conditions.

The CHAIRMAN. Well, the Government owned the railroads there?

Mr. JOHNSON. Yes; the Government owns all the railroads.

Here is one thing that will interest you. Some of you may have traveled in Russia before the war. You know that it was difficult to get through Russia without paying out a large amount of money in tips. In the whole business, all the time I was in Russia, I didn't pay out one cent on tips.

The CHAIRMAN. I wish Lenin could run Washington for a while, if he can abolish tips.

Mr. JOHNSON. And another thing. In all of our travels I didn't see one improper act, and I am used to observing things. I did not see one improper act, unless you say attempting to get on a box car, fighting a little to get a seat, would be of such a nature. I know it is hard for you people to believe that.

Senator KENDRICK. I wanted to get the right impression from you as to what percentage of these people waiting around the railroad tracks, who were taking all kinds of chances in their efforts to get on those cars and to escape from the country—what percentage of those do you think were able to get away?

Mr. JOHNSON. I don't think but very few ever got out of Russia, because the other Governments would not permit them to go over the border.

Senator GOODING. That meant that nobody was left there or remained there to cultivate the farms?

Mr. JOHNSON. Yes.

Senator GOODING. What class of people were going? Was it farmers or—

Mr. JOHNSON. Everybody.

Senator GOODING. It was just a mixture?

Mr. JOHNSON. A mixture of everybody, of every description.

Senator GOODING. There is not anybody left there to cultivate the farms?

Mr. JOHNSON. I think there are some, because some of them were a little better situated than others.

Senator GOODING. From your description, I judge it was little better than waste land. Is it that bad?

Mr. JOHNSON. Some are a little better off than others. I think they all would have been better off if they had stayed on their farms, hard as it was, because they left everything, and were just wandering aimlessly around. If they had stayed on their farms I think they would have been a little better off. Now, some stayed there and probably lost part of the family, but also probably profited by conditions left by the others.

Senator GOODING. But their live stock is practically destroyed.

Mr. JOHNSON. Practically destroyed.

Senator GOODING. All cleaned up?

Mr. JOHNSON. Practically destroyed. The first things the Russians would eat were their chickens, then their hogs, then cows, and then one of their two horses. They kept one horse to get away with.

Senator GOODING. That was the real farmer?

Mr. JOHNSON. Yes, sir.

Senator GOODING. The small farmer?

Mr. JOHNSON. Yes, sir.

Senator KENDRICK. Did you come in contact with any relief organization and find whether there was anything being done by other countries for the Russians?

Mr. JOHNSON. I came in contact with the French organization. They are doing very good work, but of course on a small scale. All the European countries that were helping did what they could, but that was necessarily small.

Senator GOODING. They have got to have a lot of relief to save Russia. There is not any question about that.

Mr. JOHNSON. There is not any question about that.

Senator GOODING. The harvest is when? July of August?

Mr. JOHNSON. About July. They will have a little in about July. They will have some smaller crops. Russia, as I see it to-day, requires at least \$500,000,000 worth of farm machinery to get a start. They must have it. The farm animals or the farm power is gone, and they can not replace those horses or oxen.

Senator GOODING. Is that general all over the whole country?

Mr. JOHNSON. General, yes, sir; although it is worse in the Volga region than others. That is where they need them most.

Senator LADD. The revolutionists destroyed that machinery?

Mr. JOHNSON. Revolutions have deteriorated and destroyed everything.

Senator GOODING. The people over there just go along and do their work without much government or anything else?

Mr. JOHNSON. In Russia they run along pretty well without a government. There are communities that probably do not get into contact with the government officials. They are running themselves.

Russia is going to exist. They are going to get along all right, as far as the government standpoint is concerned. They need something to replace this farm power, and there is only one thing that can do it, and that is the farm tractor. They must absolutely have it.

Senator GOODING. Have they men competent to handle tractors?

Mr. JOHNSON. Yes, sir.

Senator GOODING. We have considerable trouble right here in the United States about getting men competent to handle a tractor. We have it in Idaho.

Mr. JOHNSON. So far as relief for Russia is concerned, of course it is very desirable to feed those starving people.

Senator GOODING. That is first.

Mr. JOHNSON. Yes, sir; but the real relief to Russia will have to come through helping them to go on and plant and cultivate their fields, and right now if the United States wanted to help even with the gift of some money, I believe a large part of it should be put into machinery and seed; absolutely machinery, because without the machinery what can they do? It simply means a repetition of this famine.

Senator GOODING. I hear so much about that. I can't understand it, how we can see those people suffering, and not do something to relieve that suffering. I would first think about the people, because all must see that it is true that the world can feed Russia if they will try. There is no doubt about that. It seems to me that the first thing we should do is to save the lives of the people, when we know they are dying by the millions.

Mr. JOHNSON. We wish to do what we can to save their lives, but also to try to prevent a recurrence.

Senator GOODING. Going as far as you can, of course, to reseed, and all those things.

Mr. JOHNSON. \$70,000,000 would have done most of it. In other words, 2,000,000 tons of grain, 1,000,000 tons of seed and the other for food, and then we could have sent over 2,000 tractors. I have a 15-page report prepared last fall that covers every detail.

Senator GOODING. Have they got people over there that are competent to run these tractors?

Mr. JOHNSON. The proposition that I have proposed is this, that we send over a certain number of men with the tractors, and we would start—it is too late for spring planting now, but these men would have 10 Russians with every one of them, and these people could assist those men. They are mechanics. They are good mechanics. They have learned a great deal in the Army, and they need just a little help to get started, and by fall you would have 10,000 or 15,000 people that could handle tractors.

Senator GOODING. Are their farms small or large?

Mr. JOHNSON. Their farms show up like this [exhibiting sketch]. Little bits of farms. Each man plowing by himself, in any old direction. The new way of doing things is to go into a community and plow every man's farm at the same time. That is the new way. You don't stop for a man's boundary.

Senator GOODING. Have they done away with ownership and everything of that kind?

Mr. JOHNSON. No. The ownership is there, but instead of having a little patch of land here and another one over there, they just go right through and plow every man's land at the same time.

Senator GOODING. Are there fences there?

Mr. JOHNSON. No, sir.

Senator GOODING. Just an open country?

Mr. JOHNSON. Open country. You people that are familiar with South Dakota know Russia. It is the same thing.

Senator FRANCE. Mr. Johnson, I assume you are acquainted with the fact that we have thousands of tractor horsepower going to waste in trucks which the Government can not sell which, if they were sold, would create a condition of unemployment in this country, that might be used as tractors over there?

Mr. JOHNSON. Yes; I have thought that matter over, and in fact I was very much interested in a bill that you have down here that provided for turning over this material to Russia. But it has gotten to a point now where that stuff is not of much value. In other words, it is getting old. In fact they require an enormous lot of repairs. So I don't think it would pay to send them over there.

Senator GOODING. Just a bunch of junk, most of it.

Mr. JOHNSON. But what they need is the tractor.

Senator NORBECK. Don't they need animals? Is it not horses they need?

Mr. JOHNSON. Yes; but you can not get them. They can't get them from the neighboring countries.

Senator NORBECK. We have horses running wild in this country, almost, and of no great value—in the Western States.

Mr. JOHNSON. It would be much more difficult to ship horses over there than tractors.

Senator GOODING. It takes a high degree of intelligence to handle a tractor.

Senator NORBECK. If they had horses and oxen they would know what to do with them, wouldn't they?

Senator GOODING. Take a lot of people like they have in Russia, as we know, with small farms, they must have their animals. But I don't think we should discuss that matter here.

The CHAIRMAN. The horses, I suppose, would strave now if they were over there. They have to be fed, and the tractor would not.

Mr. JOHNSON. The horses would starve.

Senator LADD. The question in my mind is supposing these tractors go over there in large numbers, is there fuel and oil and gasoline sufficient to run them?

Mr. JOHNSON. That is where they make it. Baku is an oil field.

Senator GOODING. Those are things to talk about at another time, but let us now talk about getting grain over there to feed these starving people.

The CHAIRMAN. How about gasoline over there?

Mr. JOHNSON. They have plenty of gasoline.

The CHAIRMAN. Do they make it there?

Mr. JOHNSON. They make it over there. There is also kerosene and of course that can be used for both. They would appreciate a loan fully as much as they would a gift, and if we had a little string to that loan in substance saying that it must be used for this purpose, I think they would be very happy.

Senator NORBECK. Also, those people over there know whether they want horses or tractors, and know whether they want plows or harrows, and certainly they have got to have something to say about the use of any money which we might loan to them.

Mr. JOHNSON. They will say tractors.

Senator NORBECK. They will say tractors?

Mr. JOHNSON. They will say tractors. I have been instrumental in getting 20 tractors over there already.

Senator NORBECK. Because it will do more work in a short time?

Mr. JOHNSON. Yes, sir.

Senator GOODING. In practical farming it doesn't pay in this country, and it wouldn't pay over there. As an emergency measure, that is all right, to rush in and do it all at once.

Senator KENDRICK. Well, I have no doubt that on a larger scale the tractors might serve a very much more important purpose for a limited time than any kind of plow animals could, because they could plow so much more ground.

Senator GOODING. One horse right in the same field will beat a tractor all hollow. It is not practical. I have seen it tried out. They have not yet got a tractor that you can operate with economy enough to pay to have one around. I have had one, and it was a big expense.

Senator KENDRICK. The Senator has had my experience.

The CHAIRMAN. I would like to suggest that both of you gentlemen farm by proxy and these Russians don't. They will do the work themselves. That will make a great deal of difference. But let the witness go ahead.

Mr. JOHNSON. What other phases of this would you be interested in?

The CHAIRMAN. I would like to ask Senator France if he has any questions to ask.

Mr. JOHNSON. I would like to answer your questions, if you have any in your mind.

Senator FRANCE. You were there in September, I believe you said?

Mr. JOHNSON. Yes, sir.

Senator FRANCE. Did you see any evidences in those districts which you visited of their seeding their land?

Mr. JOHNSON. Yes; we saw some seeding. The Government was getting in some seed from different parts, and we saw some peasants seeding.

Senator FRANCE. I read in the Philadelphia Ledger that some peasants were actually seeding the land although they were starving themselves; they were putting it in the ground, thinking of those who were to come afterwards.

The CHAIRMAN. Capt. Hibben gave us some information about that, that notwithstanding what other members of the committee may think, he said it was proper, that some of them, even though they realized that the result would be a great many deaths they were planting the seed so as to save the people who would be left, from a similar condition next year, even though some of the people were starving for the seed they were putting in the ground, because if they did not they would all die.

Mr. JOHNSON. We heard that expression over there.

Senator GOODING. The Government is unable to save the situation. The condition is so terrible that it is almost impossible.

Mr. JOHNSON. They are really trying—doing the best they can.

Senator GOODING. They are doing the best they can?

Mr. JOHNSON. They are doing the best they can.

Senator LADD. If they opened up trade with this country they would be able to procure what they need?

Mr. JOHNSON. Yes. That would be saving Russia.

Senator LADD. Would it not be, at the same time, increasing the value of what we have left in this country?

Mr. JOHNSON. It certainly would.

Senator NORBECK. That is a winter wheat country entirely?

Mr. JOHNSON. No. Half is winter wheat and half spring.

The CHAIRMAN. They raise both kinds of wheat in the same territory?

Mr. JOHNSON. In the same territory. Here is one thing you never hear mentioned Proso millet. By the way, South Dakota has the only proso millet in the United States. Prof. Hansen got it from Russia and has taken it out to South Dakota. He has developed it. I have communicated with Prof. Hansen to get an estimate of the total amount available, and every bit of that millet for sale ought to be secured and sent to Russia.

Senator NORBECK. It is a bread food?

Mr. JOHNSON. They use it for a mash. They hull this millet and then make a meal out of it. Then they will take sunflower seeds and crush the sunflower seeds to get an oil. They will use the oil on this millet mash, as it is one of the best things they can get. It yields very well. It resists dry weather, and it is one of the most important things that could be done for Russia.

Now, aside from the question of machinery and seed, there is one other thing that Russia needs, and that is revised agriculture, a revised system of agriculture. In the South, you know, for a while, they would grow cotton, cotton, cotton, and when cotton would fail they would have a lot of difficulty. Now, they have changed. They are looking after all foodstuffs, and then as their money crop they might plant cotton. In Russia they plant wheat, wheat, wheat. I mean in the wheat section. And when wheat fails they starve.

Senator NORBECK. They can't raise corn in the South?

Mr. JOHNSON. They can't raise corn in the South, but they are just raising a money crop. What Russia needs is to get a new system of agriculture whereby they will produce food for the family, and then invest in a money crop, and in that respect the United States could do more than any country on the face of the earth to help. I believe that if a commission were appointed in some way to cooperate with the Russian Government, to devise a new system of agriculture, not necessarily through legislation, but in some way devise this new system, if that were done, it would help the United States and Russia. It would help the people that might be willing to invest money. People in the United States that are interested would be more willing to invest their money if they knew that American scientific men had had a hand in the new agriculture of Russia. In other words, they must have a factor of safety. Aside from laying in a supply of food they must change their system, and I don't think we will take much to do that now because they are ready.

Senator KENDRICK. Have you, yourself, since your investigation over in Russia made any attempt to raise any funds for relief of the Russians?

Mr. JOHNSON. All we did was to go in there and investigate and come back with one message. I am sorry that I have not had an opportunity to tell more of my observations. I have been speaking at every opportunity. I am eager to tell the story to people.



Senator KENDRICK. You have been lecturing where people were interested in that subject?

Mr. JOHNSON. Yes; I have. I talked in New York City about Russia in one place, and when I got through they said, "Are you not going to take up a collection? Are you not going to raise some money?" I said no; and then they criticized. I asked Mr. Hoover's representative—the latter part of November, I believe it was—came down and asked if they were not going to do something. Was informed by his assistant that they were not going to vote money of any kind for Russian relief, which made me more or less disappointed. I was in hopes that something could be done.

Senator FRANCE. Do you think it desirable that these private relief agencies, like the Friends' committee and other committees which have operated in that work, should be discontinued?

Mr. JOHNSON. I certainly think they all ought to continue that work.

Senator FRANCE. They certainly ought to continue the work?

Mr. JOHNSON. Yes, sir.

The CHAIRMAN. Well, other people, I think, look more to Mr. Hoover as the head of the official committee that is trying to distribute this Russian relief, and if he discourages it it pretty nearly means its defeat, doesn't it?

Mr. JOHNSON. Well, I know that he has great influence, because when I tell people that I have traveled through Russia they will say, "But Mr. Hoover sent you in there." I would say, "No," that I had no connection with Mr. Hoover whatsoever. "Well, how did you get in without his assistance?" They seem to think that he controls the whole thing. The fact of the case is that I have been denying all the time that I had any connection with the American Relief Administration, not casting any reflection on them, but simply denying the fact that I was connected with them. They seem to think that if anybody gets into Russia they get in through Mr. Hoover. We have no connection with him whatsoever.

I sent a cablegram before I went into Russia, and we sent two or three that we were going in, and if he wished to give us any information that he could send it to Moscow.

The CHAIRMAN. Did he send anything, make any request or anything?

Mr. JOHNSON. We never received a word in any way.

The CHAIRMAN. As I understand it, then, your committee, although it tried to cooperate with Mr. Hoover's efforts, never succeeded in bringing about any coordination?

Mr. JOHNSON. Unless he has used some of our material. We have turned it all over to him. We never had any rupture or anything like that.

The CHAIRMAN. No, I understand that.

Senator FRANCE. Mr. Johnson has brought forward a very important matter. The question of relief, in my opinion, is a question of whether there is transportation or not for the carrying in of this grain for the relief of Russia, which is shipped over there. Now, I was a member of the American-Russian Famine Fund, of which Mr. Wardwell, of New York, was chairman, and which was a well-organized association, and Mr. Hoover, I believe, conferred with some of those connected with that committee. I had a conference with Mr. Hoover myself. Mr. Hoover felt that independent relief work would be futile, for the reason that there were not transportation facilities for carrying the grain in, and I think that it was largely because of that feeling on Mr. Hoover's part that the Russian famine relief work slowed down. I am not here to testify—

The CHAIRMAN. Senator, let me ask you—

Senator FRANCE. I am not testifying, although I would be very glad to come before the committee and testify as to what I know about Russia, as to what I know about this independent relief work which has, to a very large extent, been discouraged, I am very sorry to say.

The CHAIRMAN. I got that idea, Senator. What is your judgment. We submitted that question to Capt. Hibben, and he said that they had the facilities there to handle all that can be sent, and that there is not any lack of facilities, at least to the extent necessary to handle the food that would be necessary to give relief. What is your judgment about that?

Senator FRANCE. My judgment—I am not as familiar with the southern railway situation—but my judgment is that they will be able to handle all that we can send them over a period of time. I quite agree with Capt. Hibben's testimony that the relief must be extended over a period of time up until perhaps next August, and that all of this relief work, all of this collection of funds by private agency should be encouraged, because it takes time to raise money, and we could, through those agencies be purchasing grain next May and June and July, after the congestion of the moment, due to the shipments of the American relief administration had disappeared. So that I think it is a great mistake to discourage the working of these independent relief organizations. There is some intimation that some of them were propaganda societies,

and all of that, which of course is absolutely without foundation. It is nothing but relief, pure and simple.

The CHAIRMAN. Mr. Johnson, what is your idea about the transportation facilities

Mr. JOHNSON. I think they can handle all the food that you can get over there. The difficulty was that probably you got too many ships in at one time, but the road beds are good. You would be astonished to see them. The old bridges have been replaced with wooden ones, and will last a couple of years or more. The roadbed compare favorably with many of our roadbeds. They also have quantities of box cars

Senator FRANCE. They have about 7,000 locomotives, or did have when I was there.

Senator GOODING. They ought to be able to haul some grain and food for the people if nothing else. I have heard something about the neck of a bottle; all the traffic had to pass through some common branch, and the railroads were unable to handle it there was congestion at that point, and you couldn't handle any more than a certain amount.

Mr. JOHNSON. That is why we suggested going up this way with the load, over a normal grade, and coming back through a little harder grade with the empties. It is a completed cycle or circle. We called in the president of the trainmen's union—and the unions over there have quite a bit of authority aside from their own organization—and we discussed it in detail with him, and they pronounced our plan good. They always made little suggestions, then we improved our plans. They felt that it absolutely could be done.

Senator GOODING. That question was raised even over there?

Mr. JOHNSON. We raised it. We thought of every argument. We went over it, because when you bring in ships in large numbers they have to be ready to receive them. I should say, right in this connection, that one member of our commission was Capt. Yarrow, who succeeded Col. Haskell in the Transcaucasus region. Capt. Yarrow had been shipping in millions of dollars worth of material into the Caucasus region. There was a man who knows the game over a period of years. You can realize that he must be a fairly good man, because he took over the work that Col. Haskell gave up, and we had him with us on that mission.

Now, I want to say that I am not criticizing Mr. Hoover. I am just sorry that I failed. I feel that if they had shipped stuff into the Black Sea to begin with, they would have accomplished a great deal more.

The CHAIRMAN. All right. We are very much obliged to you, Mr. Johnson.

(By order of the chairman the following letter is ordered printed in the record:)

WESTHOPE, N. DAK., February 13, 1922.

Hon. P. J. McCUMBER,
Washington, D. C.

DEAR SIR: Now that the agricultural conference has met and adjourned, it will be up to Congress to pass the necessary legislation if the farmer is to receive any relief. It could hardly be expected that a person located in a small town on a branch railroad in the far off State of North Dakota could make a suggestion for a solution of the farmers price problem. However, it is only by the suggestions of many people that some solution can be arrived at, and if I may suggest some line of thought that will enable a more able man to form a workable plan, I shall be very glad.

In looking up the average price of wheat on the Chicago market for the past 10 years, I find from the best figures I have, that it has been \$1.55 per bushel. Now it has occurred to me if a Government guaranteed minimum price could be established at 10 per cent below the 10-year average price, or \$1.40 per bushel and a maximum price at 10 per cent above the 10-year average price of \$1.70 per bushel, which would allow a fluctuation of \$0.30 per bushel which should cover the carrying charges and variation in supply and demand. This would guarantee the cost of production to the farmer and guarantee a reasonable price to the customer and in but few cases would require any interference by the Government. My idea being, that the Government simply should stand ready to buy the surplus wheat when the price went down to \$1.40 per bushel at Chicago and that no one should be allowed to buy wheat at to exceed a basis of \$1.70 a bushel Chicago.

I would suggest that this arrangement be made to apply to the four great staples of the country, wheat, corn, cotton, and wool, which would protect practically every farmer in the country on at least one thing, and most of them on two. And would protect the cost of living to the consumers throughout the country, which would to a large extent do away with the demand for increased wages on account of increased cost of living. These prices could be readjusted on the basis of July 1 each year on the 10 years previous and if the supply exceeded the demand at the average price

the average would gradually work lower and if the demand exceeded the average price, the price would gradually work higher, encouraging an increased production.

There might be years when it would be necessary for the Government to buy quite large quantities of the different articles, but in that case the suppliers could be sold, or even donated to foreign countries, and the loss proportioned to the whole country instead of having to be borne by one class of farmers. In case of this guaranty, I should suggest that the President or the Secretary of Agriculture be given power to declare an embargo on imports whenever the central price fell below the 10-year average for that article. Through the stabilizing of the price of corn, the price of pork and beef would to a very large extent also be stabilized.

If you have time to think this matter over and think it worthy of any consideration, I should be glad to receive a reply from you.

Yours, very truly,

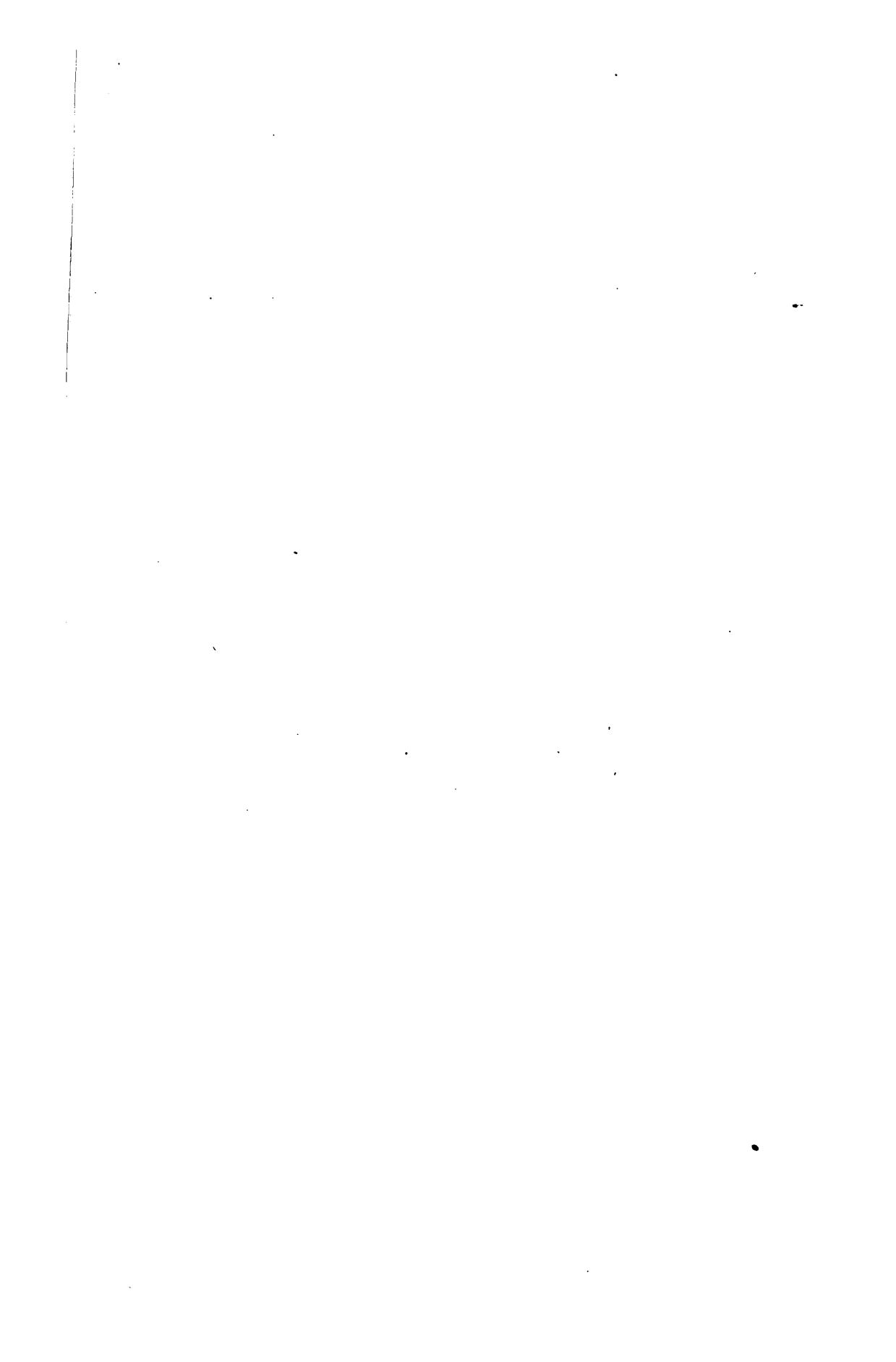
J. L. PAGE, *President.*

Ten per cent above the Chicago 10-year average price. Maximum price, \$1.70. Increasing price will cause greater production.

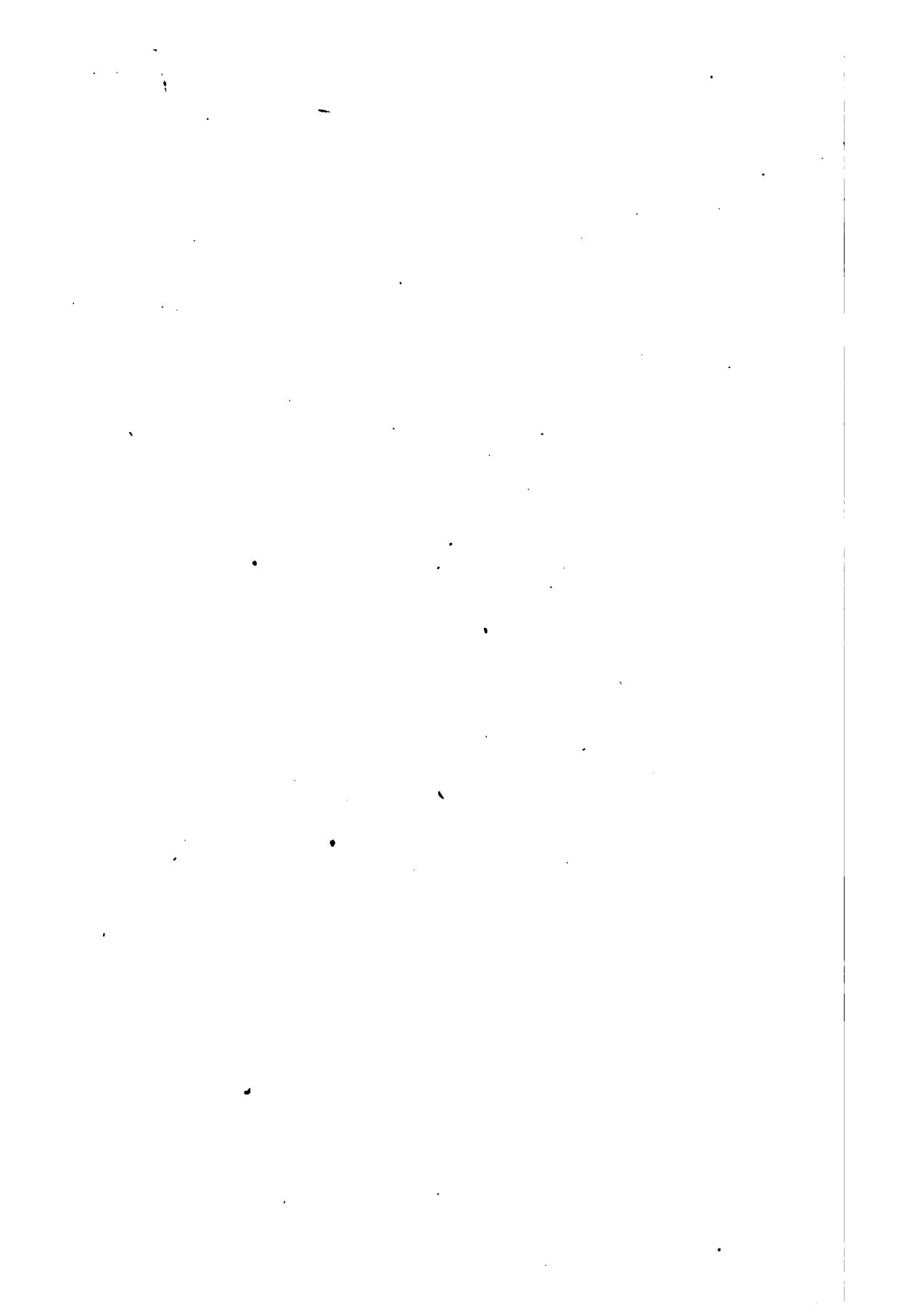
The Chicago 10-year average price of wheat, \$1.55. Decreasing price will lessen production.

Ten per cent below the Chicago 10-year average price. Minimum price, \$1.40. At this price the Government would stand ready to buy the wheat.

(Whereupon, at 1.10 o'clock p. m., the committee adjourned, subject to the call of the chairman.)







STABILIZING THE PRICES OF CERTAIN AGRICULTURAL PRODUCTS

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HEARINGS

BEFORE THE

**COMMITTEE ON AGRICULTURE AND FORESTRY
UNITED STATES SENATE**

**SIXTY-SEVENTH CONGRESS
SECOND SESSION**

ON

S. 2964

**A BILL TO PROMOTE AGRICULTURE BY STABILIZING THE
PRICES OF CERTAIN AGRICULTURAL PRODUCTS**

MARCH 20 AND 22, 1922

PART 2

Printed for the use of the Committee on Agriculture and Forestry



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COMMITTEE ON AGRICULTURE AND FORESTRY.

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STABILIZING THE PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

MONDAY, MARCH 20, 1922.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to call, at 10:30 o'clock a. m., in room 224, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), Capper, Gooding, Ladd, Norbeck, Smith, Ransdell, Kendrick, and Heflin.

The CHAIRMAN. The committee will come to order.

Gentlemen, the committee was called this morning to hear Mr. Frank Connes, who is official interpreter of the Supreme Court of the State of New York; and Mr. Connes was a member of the committee of which Mr. Johnson was president and Captain Hibben was secretary, both of whom have testified before the committee.

STATEMENT OF MR. FRANK CONNES, NEW YORK CITY.

The CHAIRMAN. Now, Mr. Connes, first tell the committee where you were born and how old you are.

Mr. CONNES. I was born February 4, 1866, in the city of Reims, France.

The CHAIRMAN. Were you of French parentage?

Mr. CONNES. I was not. My father and my mother both came from Poland, the city of Warsaw. When I reached the age of 11 I was sent to my grandparents, to the city of Warsaw, where I remained for four and a half years, getting my school education in that city. I returned them to France. I went to college in Reims, known as Lycee de Reims. After graduating from there I was sent to Germany to take my post-graduate course. I spent, after that, three years in Italy, where I also went to school.

I came to the United States at the age of 21. I went to high school in New York in order to perfect my English language, which is not perfected yet, by the way, and then I acted as teacher of languages, passed the civil service examination first for the city court of the city of New York, and was appointed interpreter in the city court, where I was for three years, then I took another examination for the supreme court, and was appointed in 1914.

When the war broke out, or when the United States declared war, in 1917, I came to Washington and offered my services—

The CHAIRMAN. In the meantime you had become a citizen of the United States?

Mr. CONNES. Oh, yes. By the way, I am a citizen of the United States and an American for the last 27 or 28 years.

When the war broke out, or when the United States declared war, in 1917, I came to Washington and applied to the War Department as to whether I could be of any service to the country of my adoption, in view of my qualifications. I received word then from Mr. Henry B. Davison, at the head of the American Red Cross, asking me whether I would accompany a commission through Siberian Russia to Rumania. I took the rank of first lieutenant, and remained in Russia and Rumania up to about the 2d day of February, 1918. During my stay in Russia I made a personal and thorough investigation of the political as well as economic affairs there.

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May I proceed?

The CHAIRMAN. Yes.

Mr. CONNES. I was there during the revolution, when Kerensky was in charge, and at that time, or shortly thereafter, I visited various camps of the then organized Red Army. To my great surprise the officers, or the majority of them, did not speak any Russian.

Senator GOODING. I did not understand that.

Mr. CONNES. They did not speak the Russian language. In most cases they were Germans. I spoke to several people there who were under Kerensky, and they then told me that this movement of communism was not the will of the people of Russia, but the tendency was after Kerensky had promised the Allies, and especially the United States, to prosecute the war, in order to disorganize that army it was that this movement was suggested. I then made a thorough canvass of the city of Petrograd, which was the nest of Bolsheviks, and while I did not and could not visit everybody in Petrograd, I did make, however, a personal investigation in various parts of that city, and found that no more or at the most 10 per cent of the people there were inclined to sympathize with communism or with the communistic form of government. After returning to this country, I reported the same way, yet there were Americans there whose names I do not care to mention, in high rank, assisted by interpreters of the Bolshevik régime, and permitted and told to go into the most favorable places to the Bolsheviks, and returned to this country and reported favorably regarding this form of government. I may add that I offered my services to some of these men, knowing that they were being misinformed, but not desiring to hurt the feelings of either Mr. Lenin or Mr. Trotsky, who had recommended interpreters, they declined my offers.

After returning to this country, and after the armistice had been signed, I went back to the supreme court, to my duty there. In 1920 I was asked to accompany Mr. Vickery, who is secretary of the Near East Relief Committee, to Asia Minor and Constantinople.

Now, do you want to know about Russia?

The CHAIRMAN. Yes.

Mr. CONNES. In Constantinople I met a great many Russians. Among them I met some of the members of General Wrangell's staff, and I was informed by them that the majority of the people, and a great majority, are against the Bolshevik form of government. It would be only hearsay testimony, so I would rather come to 1921, this summer, when I visited Russia.

In the month of August we started on our trip from Tiflis.

The CHAIRMAN. Whom do you mean by "we"? Tell about the organization of that committee, if there was such organization.

Mr. CONNES. Mr. Albert A. Johnson, Captain Hibben, and I heard that there was a movement in Washington by Mr. Hoover to send relief to Russia, after an investigation. This Near East Relief Commission, being composed of about 25 Americans, being so close to Russia, in order to facilitate matters for Mr. Hoover and for the American people here, and make a good, thorough investigation, five members of that commission offered their services to go to Russia, providing we would get permission from the soviet Government to make investigation and report to Mr. Hoover or to Congress, or to the American people, the true conditions in Russia. The committee was organized. They cabled immediately to Mr. Hoover—

The CHAIRMAN. Where were you organized?

Mr. CONNES. At Tiflis.

The CHAIRMAN. You were already over there?

Mr. CONNES. The committee of 25 was over there, commissioned to go to the Near East, and this committee of five was organized, to be known as the Near East Relief Commission, to investigate famine conditions in Russia, and to report to Mr. Hoover or to Congress or to the American people.

The CHAIRMAN. All right. Now, proceed.

Mr. CONNES. The committee was selected, of which Mr. Albert A. Johnson, who is director of an agricultural school at Farmingdale, Long Island, was chairman. Captain Hibben was secretary, and I was to act as interpreter, in view of the fact that I spoke the language fluently, and that I knew Russia. Then, Capt. E. A. Yarrow, who was with the American Red Cross, and who is at the present time the director of the Near East Relief Commission in Rumania, and Mr. John R. Voris, who was one of the secretaries of the Near East Committee.

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We notified, through the Soviet Government of Georgia, the Government in Moscow regarding our proposed trip. Our intentions at that time were to investigate conditions in the Volga region first, then come to the city of Moscow and return west by the way of Riga or Warsaw, yet we received a reply from Mr. Chicherin from Moscow asking this committee to proceed to Moscow first, get into conference with the various officials, and then start on our trip into the famine regions of Russia.

As I proceed, Senator Norris, may I give certain facts that may be of interest?

The CHAIRMAN. Certainly; just proceed in your own way. We are anxious to get all the facts that bear on the question.

Mr. CONNES. On the way to Baku, which is the extreme eastern point of Transcaucasian Russia, we saw refugees by the thousands at various points in Russia, gathering around the railroad stations and other places, some of them already starving, and we saw then already some of the bodies of the people who had died from starvation.

From Baku we turned west to a point called Rostov on Don, at which point we were to take an express train to go to Moscow. It was necessary for us to see a station master in Rostov on Don to attach our car to the Moscow express. He told us then to wait a few days, as it could not be done then.

I got closely acquainted with that man, and I got him to talk. He told me that he was a member not exactly of the Bolshevik, but that he went to the university in Petrograd; he was an antimonarchist, and the only reason that he was working was because of receiving the little bread that he got from the Government. He told me then that thousands and thousands of employees of the Government were just like him, that they had no more sympathy with the Bolshevik Government, he told me, than he had. I visited his home. He invited me to dine with them. I say this, Senator Norris, because I want to bring you to another phase of the situation. I was invited up to his home and asked me to dine with him and his wife. Their dinner consisted of some boiled potatoes, black sour bread, tea without sugar, etc.

The next day I visited the commisar of Tcheka, which is one tribunal they have—an extraordinary commission. Then I was also invited to a dinner, and let me say this, that I would be satisfied in my own home in this country or any restaurant or any hotel where I may stop to get the kind of meal I received at that place.

We remained there two days. Our car was then attached to the express to Moscow. Upon our arrival there I was taken very ill. I was taken to the hospital at the Kremlin. The doctors thought I had typhus and treated me for typhus. No medicines would respond. My colleagues began to worry, to look for an embalmer, undertaker, etc. They were not permitted to visit me. One young Russian woman doctor whom they found came up to visit me in the hospital one day. That was the day that I was supposed to depart from this world. She had my blood analyzed, and discovered it was not typhus, but it was a severe case of malaria that I had, and started to treat me for that. Therefore I can not testify to anything that transpired in Moscow. My colleagues were helped and assisted by an interpreter who was recommended by the officials there. I met the interpreter as we were leaving Moscow, and after having conversations with him for two days—we traveled together for a period of two days—I discovered and he admitted to me that he was 100 per cent communistic. Now, whether his interpretation and his translation and his assistance to the remaining members of the commission was what we call biased, etc., I can not say; I don't know.

The CHAIRMAN. Well, most of these officials, Mr. Johnson and Mr. Hibdon, I think, testified they talked English. They did not use an interpreter. That is, these officials they met in Moscow talked Engl'sh.

Mr. CONNES. I think it did not apply to Mr. Weinstein. It may have applied to Mr. Krasskin. I don't believe that Mr. Chicherin spoke the English language. Regarding Mr. Lomonosoff, he spoke English, because I met him in London as I was coming back to this country.

Coming down on our tr'p on the Volga I was up on my feet, and we were cabling to Mr. Hoover, cable after cable, inviting Mr. Hoover and telling him that immediate relief by such and such a route must be received, otherwise it may cause the starvation of no less than five to ten million people. We never received a reply from Mr. Hoover. We did not know then whether those cables had reached Mr. Hoover, or whether Mr. Hoover went on and

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acted according to our advice. I may say that while our commission was not, maybe, composed of the most prominent men in this country or any country, this commission was working 18 hours out of 24 getting all the possible information regarding transportation, regarding the true conditions, regarding statistical figures, etc. We started on our trip south and then—this is one of the points which I would like to emphasize very much, that when it is claimed that the famine conditions in Russia are due only and solely to the drought, that is not so. We interrogated peasants and members of the red army and other persons in our car, in the presence of Mr. Hibdon, Mr. Johnson, and Mr. Voris, and in the presence of this young doctor who spoke both English and Russian, and this is the fact, that during the civil war against Denekin, against Kolchak, against Wrangell, and against Poland, they first demanded 60 per cent, the government first demanded 60 per cent of all the product of the farmer. The farmers voluntarily gave that up. Then when that was not sufficient they came by force and took the remaining 40 per cent. Now, gentlemen, I will say this for the Russian peasant. You know and I know that peasants and farmers all over the world are economical, and after 1911, after the drought that they had, they had enough in reserve in their stores so that in case of an emergency like this they would have it; but this is the situation, that the government by force took the remaining 40 per cent of everything that the farmer possessed, and then when the drought came, this calamity arose. So it is not only due to the drought, because the peasants told me time and time again that had not the government taken the remaining 40 per cent of their stock, their economized stock, this condition would not have happened.

The CHAIRMAN. Now the large majority of people, as I understand it from your viewpoint, were opposed to the Lenin-Trotski government?

Mr. CONNES. I may say this, that I am not exaggerating when I say that 9,999 men out of every 10,000 are not Bolsheviks in Russia.

The CHAIRMAN. Now what do they want? What form of government do they want?

Mr. CONNES. Well, I have spoken to several of them. They told me that they would be perfectly satisfied with a democratic form of government, such as Mr. Kerensky was about to establish. I asked the people then "Why didn't you stick with Kerensky" and they said, "Mr. Connes, it is the fault of your country and the Allies. When Kerensky was here and after promising to prosecute the war there was nobody here to help us except the Germans. There was absolutely nothing done by America to help Russia. You people were sending men and materials over on the western front, thinking that Russia would take care of itself. We Russians were waiting for Americans to come, and even to mingle with our own men to offset this terrible propaganda that was organized by the Germans. Every newspaper throughout Russia was bought by the Germans in order to disorganize this army, and when the army was disorganized it went to the other extreme, from monarchists to Bolsheviks, and then when it was started it was too late." They told me, "We are willing to-day"—I won't mention the name, but these are commissars, gentlemen, now, that I am talking about, officials in the soviet government that I spoke to. This man said to me confidentially, and I promised never to disclose a single name, and I will not do it, "We want you, Mr. Connes, to interrogate some of our members of the red army, and hear what they have got to say." I spoke to some of the officers first. Not one of them was Bolshevik, not one of them is a monarchist. They told me "We are here because we get our daily bread. If we throw that up, we will starve like the rest." It was simply a matter of self-preservation. The same thing applies to the men. Why, in Tiflis, in Georgia, I spoke to several soldiers—

The CHAIRMAN. Now, what did you say this minority was that controls the government, controls all this big majority? You said it was extremely small. You said that one out of a hundred thousand, I believe.

Mr. CONNES. Extremely small, yes, sir, and they simply keep going because they manage to feed the red army.

The CHAIRMAN. That is one person out of 100,000?

Mr. CONNES. 10,000.

The CHAIRMAN. How much?

Mr. CONNES. 10,000.

The CHAIRMAN. They must be able to handle the rest of the 10,000?

Mr. CONNES. They are.

The CHAIRMAN. What about Wrangle and Denekin and Kolchak? Why didn't this 8,000 people go over to them? Why did those fellows fail when they went after the Bolsheviks?

Mr. CONNES. You have to know, Senator Norris, the minds of the people of Russia. They are people who will follow. They are not leaders. They are not educated over there. They are illiterate, and the only way I could illustrate it would be as follows: You see sometimes a little shepherd boy or little shepherd girl in the field handle with one little stick a thousand head of cattle, and she manages them or he manages them. That is just exactly the way it is with the people in Russia.

The CHAIRMAN. The thing I can't understand is when Kolchak went up there he was backed by the Allies—

Mr. CONNES. I don't know anything about our government. Certainly he was backed by the Allies, and for that reason a tremendous feeling against Germany was—

The CHAIRMAN. I should have thought those people would have just flocked to him and would have overthrown the Bolsheviks in no time.

Mr. CONNES. The chances are that the high officers of the army were communists, and they are communists today.

The CHAIRMAN. And yet you say to us that you talked to the officers and the officers themselves were not Bolsheviks?

Mr. CONNES. When I spoke about the officers I meant the majority of them. They certainly will not put a man in as general of a division of an army like that who they know or suspect even is against them.

Now I would suggest this, Senator Norris, to get an intelligent and true idea of the state of affairs in Russia, why not the Senate appoint a committee of men from Congress and let them go over there and spend a month during the summer.

You get one thing here and another thing there. Some of the correspondents over there with whom I spoke, from the American papers and the British papers, told me that they can not possibly send over here some of the things that they would like to send because they would be expelled from Russia. I am positive and satisfied, that you gentleman could get a mandate the same as we had, which was signed by Chicherin, which permitted us to go wherever we wanted to and to see whatever we wanted to. We attended some of the Soviet meetings. I was requested at one of the Soviet meetings to make a talk in the Russian language, to the people there.

Now I do not propose to sit here and state that I know all, for I don't. Some of the Senators, with all due respect to Senator France, came over to Russia, stayed in a hotel, spent there about a week, got an earful here and an earful there, and returned and expected that they knew all about Russia. That does not apply only to Senator France. That applies to everybody that—

Senator FRANCE. Your testimony on that point is just about as reliable as the rest of your testimony, when you say that I returned thinking I knew all about Russia.

Mr. CONNES. I beg your pardon.

Senator FRANCE. That is just about as reliable as all the rest of the testimony that I have heard.

Mr. CONNES. Senator France, I was told in Russia, in Moscow, where I was, that you had been there only a short time.

Senator FRANCE. It is true I was there only one month, because the authorities would not let me get into Russia.

Mr. CONNES. Let me say another thing, Senator France. I will say this for you, and I am very sincere about it, that from all that returned back from Russia back here, and whose testimony, whose version already was given, yours was about the nearest to it. But I want to say that I am very sorry that I happened to mention Senator France's name.

Senator FRANCE. I am very glad to have you do it.

Mr. CONNES. I apologize for that. But I will say this, which is a fact, and you will bear me out, Senator France, that people go to Russia, a vast country like that, they spend a few days, and they get an earful here and an earful there, and they come back to this country, and they think they know all about Russia.

Now, regarding the Russian relief. I agree with Mr. Hoover in one thing, and that is that the American relief that is sent there should be distributed by Americans, and I will tell you why, because in my opinion—mind you this is my opinion only—I think that if the red army is stopped being fed there may be some turn. I am not against the soviet by any means. The Soviet

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Government is a wonderful form of Government if it is properly governed—that is, with honest elections. You understand that sovietism is a form of government and communism is more or less theorizing.

The CHAIRMAN. The Soviet Government is the one in force there, as I understand it, is it not?

Mr. CONNES. Yes; it is; but it is not enforced.

The CHAIRMAN. I suppose when you were speaking of communism and the form of government that they had there you had reference to the soviet control when you said there was such a small number that controlled.

Mr. CONNES. May I ask you, Senator Norris, do the gentlemen here know the translation of the word "soviet"?

The CHAIRMAN. I suppose they do. I don't know.

Mr. CONNES. Soviet means nothing but counsel. It means counsel. If the Soviet Government would be enforced—that is, through elections something like our own elections here, honest elections, and if they would elect people from all classes and then make the laws the same as we do here—it would be an ideal form of government.

The CHAIRMAN. As I understand you, they do not do that?

Mr. CONNES. They do not do it.

The CHAIRMAN. It is certainly controlled?

Mr. CONNES. You know that, Senator France, that they do not do that. They do not do that. They order their elections.

The CHAIRMAN. Don't get into a controversy if you can avoid it. Go on and tell your version.

Senator GOODING. I would like to ask him a question, Mr. Chairman.

Mr. Johnson stated here—and I would like to know if this is your version, too—that because the Russian Government took away a large portion of the grain the farmers did not plant as much as they should plant; they stopped growing farm products very largely because the Government took them?

Mr. CONNES. Absolutely so. That is in our report; and, just as I said, the Government took it, and they do not deny it.

Senator GOODING. That is one of the causes of the famine?

Mr. CONNES. Yes; that is.

The CHAIRMAN. That is what Mr. Johnson said.

Senator FRANCE. Were you a member of that committee?

Mr. CONNES. Oh, yes, sir.

The CHAIRMAN. Let me ask you about this, whether you agree with Mr. Johnson in another particular, and that is that Kolchak and Denekin, especially after they were defeated and commenced to retreat, destroyed every living, growing thing—bridges and things of that kind—that that made matters worse? Is there anything in that?

Mr. CONNES. Absolutely so. I saw the destruction in France, and I saw the destruction in Belgium, but I assure you if you would see the destruction that has been done by Denekin and Kolchak they are just as bad if not worse.

The CHAIRMAN. The thing I can not understand is that those people should have failed to support the armies that were trying to overthrow that form of government, when you say they are against the soviet. How do you explain the failure of Denekin, who was trying to overthrow these people? How did that army happen to fail when they were backed up by the Allies and furnished supplies and munitions and guns and clothing and everything? Why didn't they succeed?

Mr. CONNES. The army was very small, Senator Norris. There was one man against 20 over there.

The CHAIRMAN. Oh, but they did defeat the soviets and went over a large part of the soviet country.

Mr. CONNES. And let me say this, that at that time a soldier of the Red Army was well taken care of by his government, quite especially the men at the front; not alone supplied with food and clothes, but also fed up with promises.

The CHAIRMAN. I can understand that, but what I am trying to get is your viewpoint. If that is right, then it seems to me you must be wrong when you say there was only 1 in 10,000 that wanted to sustain this government.

Mr. CONNES. I am talking about my recent trip.

The CHAIRMAN. Yes.

Mr. CONNES. I am talking not at the time that Wrangle was fighting, or Denekin. You know the sentiment changes overnight over there, and I am saying that 1 out of 10,000 is my estimate, and I assure you that I have

spoken to no less than 500 persons, and when I say that I spoke to no less than 500 persons I spoke to people of all classes. I spoke to peasants and I spoke to officials, and I spoke to railroad men and I spoke to monarchists, the soviets, and so forth.

Senator KENDRICK. Is it your opinion that at first people were inclined to accept the Soviet Government but that they have now changed their minds?

Mr. CONNES. Yes, sir; that is just exactly what I state.

The CHAIRMAN. Did not you just testify, speaking of St. Petersburg, at least, when you were over there, the time that Trotzky and Lenine rebelled and got control, there was only 1 in 10,000 men that were in favor of Lenine and Trotzky?

Mr. CONNES. Yes, sir; I did, and I did that at the suggestion of—

The CHAIRMAN. When did they change over and become in favor of Lenine and his government?

Mr. CONNES. As soon as Lenine and Trotzky were in possession of the armies that they had, they could not help. They could not do otherwise, no more than if a man would walk into this room with a machine gun and ask us to accept a certain thing.

The CHAIRMAN. That would be true, but we would not stay accepted any longer than we had to. We might be held up for awhile, but when the other army came along we would go over to them.

Senator GOODING. The Russian people are entirely different from what they are in America. Is that the feeling you want to convey?

Mr. CONNES. In regard to what?

Senator GOODING. In regard to their being able to take a position and protect their rights?

Mr. CONNES. Well, they are not as far advanced as we are here in America to do those things.

Senator FRANCE. While I am not here to testify or to even ask questions, for I am not on the committee, yet I would like to ask this question.

The CHAIRMAN. I think the committee, Senator France, would be perfectly willing to have you ask any questions you want.

Senator FRANCE. Thank you, Mr. Chairman.

Is it not true that a man out of the army gets his bread just the same as the man in the army?

Mr. CONNES. The one who works. The one who works for the Government; yes, sir.

Senator FRANCE. Well, they are all workers, are they not?

Mr. CONNES. No, sir; they are not.

Senator FRANCE. Practically all the Russians are workers of some kind. Even the women who stay at home and take care of children are classed as workers. Is it not true that they all get practically the same ration, whether they are in the army or whether they are not?

Mr. CONNES. That is absolutely not true, Senator France. That is absolutely not true. I was under the same impression and for that reason I made personal investigation right through that part of the country, and I know and I was told that people who are not members of the Red Army receive less, people who are working on the railroad for the Government receive as much, and that is all.

Senator FRANCE. Well, of course there is perhaps some slight difference due to the character of the work, but it is not true that men go into the Red Army to escape starvation, because they receive an allowance of bread; they all receive their allowance all over Russia, so far as—

Mr. CONNES. If that is so, then I was very grossly misinformed, because while I did not speak only to officers, but I spoke to men, just plain privates, one man, for instance, who received a sack full of flour from us on the train, he was going to his mother, and he came back, returned, and was one of our guards, and he told about the terrible starvation and the conditions in the houses, etc. He told me of those terrible conditions. He was a member of the Red Army.

Senator FRANCE. Well, of course it is not material anyhow, because under the Czar it is not true that so far as the soldiers were the best fed and best cared for people in Russia? Is it not true they were the best clothed, the best fed and best cared for people in Russia? They were a privileged class, in every sense of the word. Is not that so?

Mr. CONNES. They were.

Senator FRANCE. And far more so than the Red Army. Is not that so?

Mr. CONNES. Well, the Red Army—now we are going from one thing to another. You can not compare it, Senator France, because at that time in Russia they had plenty of everything, and they could feed their army much better than they can feed now the Red Army.

Senator FRANCE. It is not so that they had plenty of everything because anybody that knows anything about Russia, even the school boy, knows that the fare of the Russians, except certain classes, has been very meager for years.

Mr. CONNES. Oh, there is no doubt about that.

Senator FRANCE. So that the average Russian lives to-day about as he did then.

Senator GOODING. Lived on flour. What kind of flour did they have? They did not have as much as we did here, but did they have cattle?

Mr. CONNES. They had plenty of cattle.

Senator GOODING. Their sheep and other live stock, and their grain, all that is gone. That was also taken by the Government?

Mr. CONNES. During the fighting, the live stock, their horses, everything that they had was taken by the Government, and what was not taken was eaten up recently here during this time of starvation.

Senator HEFLIN. Did the Government do away with all that property?

Mr. CONNES. They used it to go on fighting, to keep the Red Army.

Senator FRANCE. Is it not true that although the Czar had great armies, which constituted a privileged class, that when the people of Russia were ready to do away with the Czar he was done away with, and even the armies of the Czar turned against him? Is not that so?

Mr. CONNES. Yes.

Senator FRANCE. So that an army, even though it be a privileged class, could not be kept down even under the Czar?

Mr. CONNES. Yes.

Senator FRANCE. So that the argument that this army, because it is a privileged class, is defending a Government which is hateful both to the army and to the people, does not stand?

Mr. CONNES. Conditions are different, Senator France.

Senator FRANCE. Because the same thing would happen to-day that happened to the Czar.

Mr. CONNES. Conditions are very different to-day, Senator France, than they were then. To-day the people are naked, they are hungry, they are starving. They can not make a move. They do not know how to make a move.

The CHAIRMAN. Would that not be more likely to bring about revolution, under those conditions, than if they had plenty? Is not that one of the things that brings it on usually?

Mr. CONNES. Oh, yes.

The CHAIRMAN. I want to ask you what I also asked the other witnesses before this committee, which is this:

If this Government should supply food for Russia and accept the promise of the soviet officials now in control for payment at a future date, would that promise be kept?

Mr. CONNES. I think so. I think that they are very sincere, and that they are very honest. I will say that. They offered some concessions to some of the members of our committee, and they told me, Mr. Lomonosoff, the head of the railroad commission, said, "We are going to pay dollar for dollar every thing that we owe, not only the United States, but every other nation, but we want first certain deductions to be made for what the Allies did by helping Kolchak, etc., regarding our destruction." But, mind you, I am not criticizing here those people as being either insincere or dishonest. On the contrary, I think that I would take their word for almost anything as quick as I would anybody's. Mr. Hoover told me, when I saw him, "How could you trust people who do not believe in the sanctity of a contract? You are in the court, and you know what that means." I did not have a chance to answer, but I will say it now, that I would just as soon trust them to-day in the way you say for payment, as I would any business man here with the sanctity of a contract. I am not criticizing the people over there. I am criticizing the Government as a whole.

The CHAIRMAN. It is that government I am asking you about on this contract.

Mr. CONNES. In the first place, their election—they have not much of an election. They are supposed to have an election, and they dictate from Moscow who to send up there. That is No. 1. That is not denied by anybody who has been in Russia. I do not believe that is denied by Captain

Hibben, who is very much in their favor. That is No. 1. In the second place, they are trying now to get away from this communistic idea about no capital and no permitting of trade, etc. Since the 15th of April they are trying to get away from that. But the people now are mistrusting them just because they are getting away from those radical theories and back to the practical. I even put it up to them. I said, "Why don't these men retire, call this a Soviet government, but put in new men at the head, the same as other European countries?" I said, "When a government is a failure, all the ministers and secretaries retire and make room for others." So he told me; he said, "Self-preservation."

Senator GOODING. The people of Russia had no chance to change their Government? Is that correct? Is that the way you put it?

Mr. CONNES. No; because they changed it twice.

Senator GOODING. Only through revolution.

Mr. CONNES. Only through revolution.

Senator GOODING. No chance through the ballot box?

Mr. CONNES. I will be frank to tell you that I don't think revolution—revolution is simply a sudden change of government. Revolution can come by violence and revolution can come also in a simple change of government.

Senator GOODING. I meant through the force of arms.

Mr. CONNES. I don't think it is necessary in Russia. I think if these men do right that government would endure.

Senator GOODING. The question I asked you was, Is there a chance through the ballot box to make a change over there?

Mr. CONNES. Oh, yes; absolutely.

Senator KENDRICK. Mr. Chairman, I would like to ask the witness a few questions.

The CHAIRMAN. All right.

Senator KENDRICK. Of course we are concerned in the stability of the Russian Government and those people having the government that will finally suit them. The big question with us here before this committee to-day, it seems to me, is whether or not the conditions in Russia are as bad as they have been told by other witnesses, and the next question is whether we are lending as much of practical assistance to the Russians as it is possible under the conditions, and whether we are delivering that assistance as fast as it can be delivered with their system of transportation.

To repeat the question, do you agree with the statements made here as to awful suffering and starvation of the Russian people?

Mr. CONNES. Of course I was not present here during the testimony of Mr. Johnson and Mr. Hibben, except what I gathered from the papers. Regarding that may I say this, that it was not only not exaggerated, but on the contrary the American people were the people who saw that starvation over there and who disclosed to the people here the terrific conditions that exist with the people in the Volga region. Mind you that was in the month of September, when we saw bodies of children and women who died from starvation. I saw a little infant, for instance, searching with its little thin hands for the mother's cold and empty breast as she was lying dead. I saw garbage pails with dead children. Little children were screaming with pain as they were dying from starvation. The people here can scarcely realize the terrible suffering before they do pass away. There are even running sores that form on their bodies, and so forth. I think really not only has it not been exaggerated, Senator, but it was minimized to a great extent.

Senator KENDRICK. Then it can not be exaggerated?

Mr. CONNES. It can not be exaggerated. It can not be described. I do not believe there is an orator living, with all due respects to the great orators that we have that could adequately describe the true conditions of the suffering that exists there.

Senator KENDRICK. Now, another question. Is it your opinion that we are delivering the food that has been provided through the appropriation of Congress as promptly and as efficiently as it could be done under their system of transportation?

Mr. CONNES. I can not answer that question for the simple reason that since I returned this transportation of food only started. I met Colonel Haskell on the way over. I know Colonel Haskell personally, and I don't know, but I think that a great mistake has been made by Mr. Hoover in his American relief organization when he did not accept our advice by sending the food

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immediately to the Black Sea, but first to Riga, and before that reached that part of the country it meant the starvation of half a million people.

The CHAIRMAN. It was supposed, as I understand it, that there were no railroad facilities to take the food away from the Black Sea. What do you know about that?

Mr. CONNES. I beg to differ with anybody that said that. I believe Mr Johnson and Mr. Hibben were here.—

The CHAIRMAN. Yes; they both said—

Mr. CONNES. We had a conference with railroad officials down in Tsaritsin.

The CHAIRMAN. Mr. Hibben and Mr. Johnson, I think, both agreed that there were such facilities.

Mr. CONNES. Oh, absolutely.

The CHAIRMAN. But the charge had been made that it was sent north instead of through the Black Sea because there were no railroads to take it away when it got in there.

Mr. CONNES. Again the American Relief Administration is excused. We cabled over. We had conference with the railroad officials, and even with boat men, that immediately as soon as the stuff gets there they would transport it to the place where the famine was in its extremity, and it could have been done, and it would have actually meant the saving from starvation of hundreds of thousands of people, where the food can not reach them any more, and could not reach them in January, February, or December, because they were so far distant from the railroad, and the country was covered with snow, and had Mr. Hoover—pardon me—had the American Relief Administration accepted our advice those things would not have happened.

The CHAIRMAN. How about the amount now. Have we appropriated enough money to meet the situation? Would it take more to be provided for?

Mr. CONNES. My opinion is that—do you mean in the way of seed?

The CHAIRMAN. Yes; I mean will the \$20,000,000 that we have appropriated be sufficient to carry them through?

Mr. CONNES. No, sir.

The CHAIRMAN. Now, give us an idea, if you can, how much more it will take.

Mr. CONNES. Well, our report is in print, and it has all the amounts stated, but I believe that it will be no less than a hundred million more necessary to feed the hungry and to supply them with seed.

Senator KENDRICK. I believe the other witnesses testified to about sixty to sixty-five million, did they not, Mr. Chairman?

Senator HEFLIN. Sixty-five million more?

Senator KENDRICK. Oh, no. Sixty-five million all told.

Senator GOODING. When did you leave there?

Mr. CONNES. In October.

Senator GOODING. What time do they plant their grain in Russia? What time do they seed? We seed here for our winter wheat in the fall.

Mr. CONNES. The same way there.

Senator GOODING. What quantity of seed has been planted?

Mr. CONNES. They had absolutely no seed at all. They had absolutely no seed—not one single grain.

Senator GOODING. How big a portion of the country does that cover?

Mr. CONNES. I mean the Volga district.

Senator GOODING. You know nothing about the conditions in other parts of the country?

Mr. CONNES. No, I do not know the conditions in Siberia or any of those places.

Senator GOODING. Do you know whether they are sharing their grain with the famine-stricken regions?

Mr. CONNES. They are. They are all sharing their grain, because there was a slogan throughout Russia that is a wonderful thing to hear: "Let us go hungry to keep others from starving." So even in the hungry parts of Russia, where it was not as bad as in the Volga region, the people there, the little that they had, themselves would go hungry to divide it, and the slogan was throughout the country, "Let the hungry feed the starving."

Senator KENDRICK. That was testified to by the members of your committee that preceded you. I asked that question, as to whether or not there were sections of Russia in which the people were reasonably well off in supply of food, and whether or not in that event they were doing anything they could to help those less fortunate, and the answer came back just as you have given, that they do divide, and were ready to divide to the last of what they had.

Mr. CONNES. Absolutely. Of course I was not present here when the testimony was given, and the testimony is not yet in print, and I want you to feel that Mr. Johnson, and Mr. Hibben, and myself are the best of friends, and we were during all of the trip in Russia. Of course we differed on certain things, but otherwise I did not come here to controvert anything that they said, but only to state to you my version. I do not represent anybody but myself. I am not antibolshevik because I am a capitalist. On the contrary, I am on a salary from month to month. If I thought it was a wonderful government I would be with them, but I don't think it is practical at the present time. I don't say that a single person over there is dishonest or insincere. I think when Mr. Nansen put that question to me in London, and he said in the presence of the British Russian Relief, "Would you trust the Soviet officials with the food or with the supplies?" I said then, "Yes", and I say it now. And when Mr. Hoover insists that the Americans are the only ones who should distribute the food, he feels, too, that the Soviet people would feed their army and would neglect the people. Now, he has a right to contend that.

Senator KENDRICK. But as a means of determining the facts here, I want to ask you this question: Is the relief in Russia conducted at this time, the relief forces under the direction at this time of our own people, of Americans, or is it under the Soviet Government?

Mr. CONNES. Of our own people. It is under the direction of Colonel Haskell. I think he is assisted by several officers of the army, and they pass through some natives who do the small jobs.

Senator KENDRICK. I am moved to make this inquiry for this reason. My few brief days in France indicated to me rather clearly as one of the outstanding impressions I brought back that when it came to getting results the initiative and energy of our own people could be depended upon more than any other race, either at home or abroad, and I would rather expect to see the Russian people profit more largely by the amount we would give if that distribution was under the direction of our own forces.

The CHAIRMAN. Let me ask you, do you think that if any relief was turned over to the soviet officials they would be impartial toward the red army?

Mr. CONNES. That is a very difficult question to answer.

The CHAIRMAN. Of course if there is any question about it—

Mr. CONNES. It would be a very difficult question for me to answer, not that I don't want to answer.

The CHAIRMAN. Would the Russian officials criticize the Americans for insisting that Americans should distribute the food according to our ideas rather than the soviet officials? Do they object to that?

Mr. CONNES. They did at the very outset. They objected to it, and Mr. Hoover took the position that the Americans should distribute the food, and they consented, but I will say this in answer to your prior question, that if somebody would tell me here is a hundred thousand dollars' worth of gold and I want this to be delivered to Senator France, who happens to be in some remote place in Russia, I would not hesitate one moment to give that \$100,000 in gold either to Mr. Lenin, or to Mr. Trotsky, or to any of the officials. I do not say that they are dishonest, by far. I believe that they are sincere and honest, and if you give them a certain amount of food, then there is no question in my mind but that they would distribute it properly.

Senator GOODING. You say the drought had very little to do with the great suffering and starvation?

Mr. CONNES. Oh, not little to do. I beg your pardon. I did not say little to do. That is a mistake. I say it had all to do.

Senator GOODING. All countries have droughts. That comes to every part of the world. If they had the proper government over there, what you feel is a proper government, they would be no worse off, likely, than France and Germany. In Germany conditions are better in some respects than in France, because they did not have the great war that Russia had. Russia had several raids, what we would call raids. Would there have been this terrible distress if they had had the proper government, functioning properly?

Mr. CONNES. I don't think they would, because I attribute to the government one thing regarding the famine conditions, and that is that they took the product of everything that the farmer had, and when the drought came the farmer found himself in that way. The question is would the American Government, or the French Government, or the German Government do the same thing in case of an emergency like this?

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Senator GOODING. What would you think would be the result if any government steps in and takes from the people 60 per cent and makes that a tax on everything that they have? That stops their work. That stops their effort. Mr. Johnson said that the people over there said very positively "What is the use of working? The Government takes it away from us."

Mr. CONNES. Absolutely. I interpreted those statements for Mr. Johnson.

Senator GOODING. What is the use of working when the government itself is going to take it away from us? That is one of the reasons they stopped seeding, stopped work, with the result that the drought came onto them just at that time, with the result then that the people are starving, dying by the thousands over there.

Senator KENDRICK. Have you any information as to what those surrounding countries are doing to help out the situation in Russia, such as Germany and Poland?

Mr. CONNES. Poland is not doing much. I know Sweden and Great Britain and even France recently are sending some aid to the famine-stricken part of Russia. I know that, but of course not in such proportions as we do. There was no \$20,000,000 appropriated, or anything like it.

Senator KENDRICK. Is that by governmental appropriation or by private contribution?

Mr. CONNES. I believe that this recent appropriation was made in France by the government. I am not positive as to that.

Let me suggest a certain thing. The Government of this country, the Members of Congress, are very anxious to find the true conditions about Russia. I assume that the prosperity of Russia means the prosperity, perhaps, of the world, and rather than to get such information through myself and other men like me, why not ask the Congress to appoint a committee of five or six of the Members of Congress? I believe that they will receive a mandate, the same as we had, from the Russian Government. They would not object to that. Their expense would be very small, because the government over there will be only too glad to accommodate you in the proper transportation and everything, and you could go there with an efficient and unbiased interpreter and secretary and investigate the conditions and then come back, and then you will have it straight and you will have it right.

Senator KENDRICK. Would it not be hopelessly late to get any results in the way of relief?

Mr. CONNES. Regarding the famine conditions? Oh yes. I am afraid it should have been done immediately in order to send enough grain and enough seed for these people to be able to plant.

Senator GOODING. The story you tell us here and the story Mr. Johnson told and the story Mr. Hibben told and all the stories before this committee, and the matter that I have read about the conditions in Russia, about the terrible suffering, are the same. I used to think the conditions were exaggerated over there. I doubted some of the stories that I have read, but after listening to Mr. Johnson and Mr. Hibben and yourself I have got to accept them.

Senator SMITH. Do you think that there would be objection if it was understood that it was a congressional committee that went not only to report the best methods of meeting the condition, but also as to whether or not the Government, in our opinion, is one that could be recognized or not recognized?

Mr. CONNES. I am positive that they would be glad to have you do that.

Senator GOODING. The present Government that is in control?

Senator SMITH. Just one question, now. What would you think would be their attitude if they knew; that is, the Government itself, or understood that this committee would investigate over there to ascertain whether or not the present Government was sufficient to meet conditions or, in other words, was capable of being recognized as a government?

Mr. CONNES. I tell you, Senator, they are so confident about themselves that I think they would be satisfied for you to go in there and make a thorough investigation.

Senator FRANCE. You are absolutely right. They want a committee to go there, and I have been urging it ever since last September. I am very glad to have you add your word. I did not ask anybody to accept what I said about Russia. I said, "You send your own committee over there, and you will find what I say is true."

Mr. CONNES. Senator France, it is absolutely so.

But you don't think they are ready to take our advice, and we are seriously mistaken?

Mr. CONNES. I don't know that they will take your advice, but they will certainly permit you to investigate everything—that is, their political, their economic, and their agricultural and their other conditions.

Senator GOODING. We could send men over from America who will agree that it is the best Government in the world, with all its suffering and distress, or we can send men over from America who will say it is the crime of civilization. Men have different ideas of government.

Mr. CONNES. If you send a partial committee, but if you send a committee that is impartial, you will get a true report. If you send a committee of socialists, you will get one report, and if you send a committee of capitalists, you will get another one. But when I say a Senate committee, I mean an unbiased, impartial Senate committee.

Senator GOODING. We don't want to investigate their Government, as I understand it. They have got to work out their own destinies.

Senator RANSDELL. Even if we decide to send this committee—and it might be wise or not—ought we not to do something now, without any delay, in order to save a great many people from starvation, and in order to furnish them seed in order that they may have crops for another year?

Mr. CONNES. If you double the appropriation and send them seed enough and food enough to save at least two or three million people it will be the greatest work that you can do at the present time.

Senator RANSDELL. How late can they plant in the springtime? Do you know that?

Mr. CONNES. I do not, but I think in our printed report Mr. Johnson states that.

Senator GOODING. Their seeding is just about the same as ours. There is very little difference.

Senator RANSDELL. If we would send them food along now they could use some of the grain that is over there intended for seed, to be replaced by the food wheat that we send if we ship it right away?

Mr. CONNES. I think so.

The CHAIRMAN. Is there anything else, Mr. Connes?

Mr. CONNES. No; nothing that I know of, except that I want again to apologize to Senator France for anything that I may have said. I just happened to mention his name, and I am very sorry that I did it, for the reason that I am very sincere when I say that his words, when he came back, was the nearest to the truth of anybody I have heard.

Senator FRANCE. That is all right. I think I owe you an apology for taking exception to that.

Mr. CONNES. I came here to testify as a hundred per cent American, to an American body of men who want to know the truth, not criticizing anybody, and not flattering anybody. I came here just simply because I saw in some of the reports that somebody else had said something about Mr. Hoover, and I found out that he did not say that at all.

Senator KENDRICK. The only thing I have ever regretted about Senator France's trip was that I could not have gone with him.

Senator FRANCE. I wish the Senator could have gone with me. I wish we could have had a commission along at that time.

The CHAIRMAN. Did you have any questions you wanted to ask, Senator France?

Senator FRANCE. I wanted to ask you whether you thought it was advisable that all relief work in this country should be stopped, or whether the relief work should go on; that is, the work of the societies that are collecting money for relief?

Mr. CONNES. I am in no position, Senator France, to answer that. While I did visit Rumania a couple of times, I am not able to answer. You ask whether the relief should stop for the Rumanians?

The CHAIRMAN. Was your question, Senator, in regard to Rumania?

Senator FRANCE. No. I had reference to Russia.

Mr. CONNES. You mean all the relief?

Senator FRANCE. Yes; but particularly Russia. We are discussing Russia now.

Mr. CONNES. I do not see why it should.

The CHAIRMAN. Should what?

Mr. CONNES. Should stop.

The CHAIRMAN. That was the question. There has been some criticism that outside parties should not engage in this relief work.

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MR. CONNES. I will just tell you what is in my mind, that Mr. Hoover is of the opinion that the soviet people will not be able to feed the red army, that the government will then be changed, and for that reason he does not believe in these other organizations who are sending their relief directly to the government because he feels that the government will feed the red army, and the government will continue on. Now this government can continue on if it is properly governed. Now, Senator France, I want you to understand this, that their government, the soviet government, is not a bad government, by any means, especially when they are getting away from those very radical theories of communism, if it would be honestly administered. By that I mean if they would permit anybody to vote. But they dictate absolutely from Moscow who they want, and they have it their own way.

SENATOR KENDRICK. Well, that might be accounted for by the radical change in their form of government. Every government that has been arbitrary and autocratic and has changed has gone to the other extreme, but finally they have found a proper balance between the two. That is exactly the history of the French Government. Now, I am not concerned about the Russian Government. I am concerned about the starving people.

THE CHAIRMAN. Personally, I do not think it is any of our business what kind of government they have, but there are people, honest, I suppose, who do not want to send any food over there that might be used to keep the army up, and that may be Mr. Hoover's idea. I wanted to get the facts, if I could, as to whether there was any danger of anything of that kind.

MR. CONNES. I do not believe there is. But assuming that we do send food, in answer to Senator France's question, whether they could go on or not, it is not the Government's business, or Mr. Hoover's business, as long as it reaches the people over there who are in need.

THE CHAIRMAN. Yes.

MR. CONNES. As long as they will distribute and not personally appropriate it to themselves, I think that it should go on. Why not? If it is good enough to go on in other parts of this world, why not in Russia? That is the way I feel about it. If Mr. Hoover feels that way about it, he has that right. He is the head of the American Relief Administration.

THE CHAIRMAN. Oh, no; but Mr. Hoover even ought not to be allowed to use the food in such a way as to have the effect of saying to these people, "You must change your form of government, or we won't feed you." I am just as anxious to have him keep his hands off as I am that somebody else should not put their hands on. It is not for Mr. Hoover to say whether they have a soviet government, or whether they have a monarchy, even, and he must not use the food in such way as would control the political situation. On the other hand, the other fellows ought not to be allowed to use it to control the political situation the other way.

SENATOR KENDRICK. In other words, the Russian Government as it stands today ought to apply this relief where it pleases?

THE CHAIRMAN. Yes; to feed the hungry, it does not make any difference whether they are socialists, monarchists, or what. Don't let them starve.

SENATOR KENDRICK. That responsibility is also on the people who represent this Government. It ought to be used to save those people.

SENATOR SMITH. Your idea is that we should say, "Take this grain and use it to feed the starving people," without any regard to the Government?

THE CHAIRMAN. Absolutely. That is my idea of it. The charge has been made, and I want to ask this gentleman if he knows anything about it. I have not seen it substantiated, but it has been made by the extremists on the other side, that Mr. Hoover, in his relief operations over there, has appointed men to have charge of the distribution of food who have been known to be adherents of Wrangel and Kolchak and Denekin, so that they were obnoxious to the people of Russia. Do you know whether there is anything in that?

MR. CONNES. I do not, because I have not been there.

THE CHAIRMAN. I do not say it is true, mind you, but I have read it.

MR. CONNES. I have read the same rumor, but it is only rumor, and I could not say one way or another.

THE CHAIRMAN. Well, I guess that is all. The committee will adjourn.

(Whereupon at 12 o'clock noon the committee adjourned until 10.30 o'clock a. m. Tuesday, March 21, 1922.)

STABILIZING THE PRICES OF CERTAIN AGRICULTURAL PRODUCTS.

WEDNESDAY, MARCH 22, 1922.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to call, at 10:30 o'clock a. m., in Room 224, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), McNary, Capper, Keyes, Ladd, Norbeck, Ransdell, Kendrick, Harrison, Heflin, and Caraway.

The CHAIRMAN. We have with us Mr. Bedford, of Australia, whom I have invited to come before the committee to give us some information from his great country.

Mr. Bedford, the committee would be glad to have you go ahead in your own way. I think you know what we are considering.

STATEMENT OF HON. RANDOLPH BEDFORD, MEMBER OF QUEENSLAND PARLIAMENT, BRISBANE, AUSTRALIA.

Mr. BEDFORD. I have great pleasure, Senator, in accepting the invitation to speak before your committee. Our countries are getting much closer together in sentiment and trade and in the problems that we have partially tackled in Australia, and owing to the larger activities and interests in your own country our experience in having tackled them may be of interest to you.

The CHAIRMAN. Mr. Bedford, I wish you would, for the benefit of the committee and the record and those who read it, give the reporter your name and your occupation and your age, etc., so that that will all be of record.

Mr. BEDFORD. Randolph Bedford, of the Queensland Parliament; age, 52; complexion and other particulars not necessary, I take it.

When, 22 years ago, the Commonwealth of Australia started, it began with as fine ideals as the Declaration of Independence. Our slogan was, "One continent, one people, and one destiny." By and bye we found that the bulk of the people were to have the destiny, and the few were to have the continent; so, a few years after the declaration of the Commonwealth, the Labor Party, which was a breakaway from the old Liberal Party, the Conservative Party, and the Tory Party, and all the rest of them, organized sufficiently to secure the governing of the Commonwealth. Eighty per cent of the electors are wage earners. Of the total production of Australia—\$1,700,000,000—75 per cent is produced by less than half its population. They produced \$1,250,000,000 out of the \$1,700,000,000. Neither the farmer nor labor had any representation under the old parties. The governing was left to lawyers—to city lawyers—largely to importers, the worst enemies Australia ever had, because we are naturally a high protectionist country—to importers who worked all day in their free-trade shops or their offices and then gave the fag end of their brilliant intelligence to the job of government late in the afternoon. The new party, which was called the Labor Party, is really the only Australian party we ever had. In Australia the Tories are known as the Liberal Party. The Labor Party embraces not only trade-unionists; there are also affiliated with it men who belong to political labor councils and professional men. I, myself, am a journalist. It includes farmers and all sorts of men. They formed the Labor Party, which is not only the wage-earning party but the small shopkeeper and the little capitalist.

We found, in the first place, that we had to break down the usual suspicion of the country for the city. The farmer, in many places in Australia, has not even tackled cooperation, because he is afraid that Bill or Jim, whom he knows, is going to get a little more of the benefits than himself. But in the majority of cases that is being broken down, to the extent that cooperation, as I will tell you, is successful. And, for the rest of it, where it could not operate we have been forced into State ownership and State operation of public utilities.

In Queensland, a country of 675,000 square miles, with 750,000 population and with 400,000,000 acres still owned by the State, it became necessary that the State should construct its own railways, and it has constructed nearly 7,000 miles of them.

Then, the coal mines, which we have given away—

The CHAIRMAN. When you speak of the State do you mean your Province?

Mr. BEDFORD. I mean the State government; not the Commonwealth of Australia. But this applies to all the railways. The owners of the coal mines, which we had given away and which had mostly been located by means of government geologists, who were paid by the State, put the price of coal up on us who owned the mines in the first place, and who, as railway operators, were the greatest consumers of coal. That forced us into the ownership of coal mines, and a part of my business on the Pacific coast is to sell the exportable surplus of the mines.

The same was true of the beef barons. During the war we were supplying the British Government with beef at 9 cents a pound. For local consumption the butchers put up the price to 30 to 40 cents for the choice cuts. We then started State ranches and State butcher shops, and reduced the price of the best cuts to 16 cents. We have, from these same ranches, an exportable surplus of beef. I am engaged in placing that here or in England.

Also, the farmer has to destroy the prickly pear, which was introduced by some fool or other and is now covering some 17,000,000 acres. The farmers were paying £100 a ton for arsenic, and in order that the prickly pear should be destroyed—the arsenic being produced in the southern States—

The CHAIRMAN. Mr. Bedford, might I interrupt now? We are just confronted, or about to be confronted in this country with the possibility of a large coal strike, and you were just speaking of Queensland and the other States meeting that difficulty by getting the mines. I think it would be interesting to the committee and also to our people generally for you to just go into detail a little bit on the coal business.

Mr. BEDFORD. Well, we found that the price of coal was being put up on us to such an extent that it meant very great increases in fares and freights, and in some of the sparsely settled districts we run railways at a loss for the purpose of helping on the development of the public estates and the sale of land. It would have been utterly impossible to work those at all except by putting freights and fares up to such a figure that the average industry could not afford to pay, had we been unable to check the rise in coal from the private mines. We, having our own public lands at call, did not buy the new coal mines. We had already had them located by our own State surveys and Government geologists, and we simply opened up those mines and equipped them.

The CHAIRMAN. You went into competition with the other coal mines?

Mr. BEDFORD. We shall be. As a matter of fact we at the start, owning the forests and being the greatest public user of timber, found that the timber ring was putting up prices to such an extent that we had to start our own sawmills, which are working in competition with the private companies, and we have not only reduced the price of timber for Government work, but have kept down the price of timber generally for building purposes. Whereas building was restricted before the State sawmills started, for the reason that general prices of timber were so high that they restricted the average builder, building became freer in volume.

Have I told you enough about the coal?

Senator CAPPER. You were speaking of disposing of your exportable surplus of coal here in this country. Whom are you representing?

Mr. BEDFORD. The Queensland government—the State. Of course we can only sell to the Pacific coast, to Californians. The Californians would rather buy from us than from the Japs, I think, and generally all that is against a big trade at present is freight rates.

The CHAIRMAN. What was the effect on the price of coal when you went into the coal business?

Mr. BEDFORD. We do not supply the consumer with coal. We are equipping to supply the railways, and the effect of initiating the work is that recently there has not been any further upward trend of prices.

The CHAIRMAN. It stopped profiteering even for the consumer, the private individual?

Mr. BEDFORD. The price of coal is lower in Queensland than it is in Victoria, for instance, where one of the mines is State owned; but then freight from New South Wales mines may mean all the difference.

The CHAIRMAN. Did they have coal mines about the same as yours?

Mr. BEDFORD. Yes; they own the Government coal mines, but which only run for the railways and do not reduce coal prices. New South Wales is just about to open up a State coal mine.

The CHAIRMAN. How do the wages paid by the State, by Queensland, compare with the wages paid by private owners of coal mines?

Mr. BEDFORD. The wages are fixed in every case by wage boards. A court fixes the wages. The Government and private enterprises have got to pay the same wage.

The CHAIRMAN. There is a Government board that fixes the wages?

Mr. BEDFORD. A court. An arbitration court. In cases where these disputes, as in coal mines, which is common to every State, arise they have got not a State board but a Commonwealth of Australia board—a Commonwealth of Australia court.

The CHAIRMAN. That fixes the wages all over Australia?

Mr. BEDFORD. Yes; for all industries which lap over from one State to another. For the private industries confined to a State the State arbitration courts fix wages.

The CHAIRMAN. When they have something that applies to all of the States that is fixed by the Commonwealth board?

Mr. BEDFORD. Yes, sir.

The CHAIRMAN. Is there any appeal from that decision?

Mr. BEDFORD. None.

The CHAIRMAN. The laboring man and the owner of the mine must both conform to it?

Mr. BEDFORD. They go into court with their representatives, evidence is taken bearing on the cost of living, on the cost of getting out the coal, and on what is a proper profit.

Senator CARAWAY. May I ask you a question? Suppose labor refuses to accept the award? What is done then?

Mr. BEDFORD. If it does, you can not jail them. You can not jail a whole community. But it has worked out in this way. There have been 186 labor disputes in Queensland in one year, and only 11 awards have been refused. You will always get some unreasonable people who will say, "Yes; I will accept the award of the court of arbitration as long as I am the arbitrator," but in only a small proportion of cases have they refused to accept the award.

Senator CARAWAY. What is your remedy where they do refuse?

Mr. BEDFORD. Well, they strike for maybe a week and then they go back to work.

The CHAIRMAN. As I understand it, if the court of arbitration fixed the price of labor and the laborer refused to work for that, it would be open for anybody else to come and work, and if they did not come and work the mine would remain idle?

Mr. BEDFORD. That is the idea.

The CHAIRMAN. On the other hand, suppose an owner refused to pay the price?

Mr. BEDFORD. You can get him. In theory you should jail the lot, but you can not go and jail a community.

Senator CARAWAY. You jail those you can and let the others go?

Mr. BEDFORD. Penalties are provided, but not administered.

The CHAIRMAN. It is a question of whether you ought to enter a civil proceeding.

Mr. BEDFORD. You could do it, but you don't do it. As a matter of fact capital rarely refuses an award, because there is nothing more timid than two million except it is three million. Capital does not kick forever against the awards, once they are made.

The CHAIRMAN. Assuming, of course, in theory, this board should fix a price and the owner was not able to pay without a loss, he would have a right to stop his mine, wouldn't he?

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Mr. BEDFORD. Of course, he has a perfect right to stop his mines.
The CHAIRMAN. He would not be jailed for that?

Mr. BEDFORD. Oh, no; of course not. He simply quits, just as the other man quits, and you don't jail either of them. Ostensibly the law says that those men shall obey the law under certain penalties, but if a man quits because his mine won't pay to operate on the price, or if the laborer quits because he says he will not work at the price, nothing can be done. But generally the evidence has been so well sifted in making the award that it is a fair thing for everybody.

The CHAIRMAN. The effect in the end, as I understand it, is that the mine owner must either pay the award or he must not operate?

Mr. BEDFORD. Yes.

The CHAIRMAN. He can take his choice between those two?

Mr. BEDFORD. Yes.

The CHAIRMAN. The laborer must either work for the price fixed or he can stay away, and he can take his choice as to that?

Mr. BEDFORD. Yes. For instance, take the case of sugar. The government had to establish State sugar mills in Queensland because the Colonial Sugar Company, which was a monopoly, was crushing the farmer with the cane. It was paying, in round figures, ten shillings a ton, and it would not pay him on the sugar content of the cane, which is the only proper way to pay. The man who is growing a better sugar cane, with a higher sugar content, should get more than the man who grows a poorer cane. We attempted to remedy that situation by legislation. We fixed the price the mill should pay. In one case the Colonial Sugar Company refused to open its mill, with the result that something like 100,000 tons of cane was lost. The sugar went out of it; if it was left over until the next season. But the following session we got to them with an amendment which should have been in the original act, and that was that providing that they did not work the mill on the lines laid down (no hard and fast lines of legislation, you know, but evidence taken by a court or a judge, a chemist representing the farmers, and a chemist representing the mill itself, and an accountant—absolutely scientifically fixed) if they then did not operate on the award given the government could take over the mill and work it.

The CHAIRMAN. That was the amendment?

Mr. BEDFORD. Yes; in order to prevent the loss of the cane.

Senator CARAWAY. Let me ask you a question, if you please.

You were speaking a while ago about the labor and the mine owner, and what was done if they refused to accept the award. Do I understand you have a law by which you could penalize them if they refused to observe it?

Mr. BEDFORD. No; that is not so. There are certain penalties for failure to observe, but in the majority of the dissatisfied cases it is only a matter of a few days before awards are obeyed. Sometimes they do not act on the award at the moment, but, as I told you, nearly all awards are observed without quibble, and the other few are negligible. It means that obedience is being delayed a week or so.

Senator CARAWAY. Under your constitution, these people who own the sugar mill, you can declare that to be a public utility and take it, can you not?

Mr. BEDFORD. Yes.

Senator KENDRICK. You spoke of sugar a moment ago. What effect did this arrangement have on the price of sugar to the average user?

Mr. BEDFORD. The price of sugar is about 6 cents a pound retail.

Senator KENDRICK. As compared to what it was before?

Mr. BEDFORD. No. There was comparatively little move in it. Under black labor we paid possibly 4 cents a pound, at the time when the whole world was cheaper, and under white labor, paying men up to \$40 and \$50 a week for cane cutting, we pay 6 cents a pound.

Senator KENDRICK. Did it have the effect of lowering or raising the price of sugar?

Mr. BEDFORD. It raised it a little bit, with the general arrangement that prices have gone up all over the world.

The CHAIRMAN. I think you misunderstood Senator Kendrick. He wanted to know, when the Government went into the sugar business did it raise the price of sugar?

Mr. BEDFORD. Oh, no, not at all. It only meant that the sugar company was getting a little bit less of a rake off from the farmer. It started there with little capital and it is one of the most powerful monopolies in the world.

Senator KENDRICK. In other words it regulated the monopoly?

Mr. BEDFORD. Yes sir. We were forced into this thing. We did not want to make arsenic, but we had to, because they were charging \$100 a ton and we were making it for \$20 a ton in Government nines and retorts, and we sold it at cost to the farmer.

The CHAIRMAN. Do you manufacture fertilizer?

Mr. BEDFORD. We crush lime and a few things of that sort, but the country is so young it does not need fertilizer in the ratio that older lands use it.

The CHAIRMAN. Does the Government do that?

Mr. BEDFORD. Agricultural departments have had many activities to help the farmer for a very long time.

The CHAIRMAN. This committee is just about to go over a plant with the view of settling the question of fertilizer, getting nitrogen out of the air.

Mr. BEDFORD. Yes.

The CHAIRMAN. Did you have what was ordinarily called a fertilizer trust before the Government went into it?

Mr. BEDFORD. No. They may have had some secret combination. The prices were very high. None of the Australian governments have ever started fertilizer works. All they have insisted on is purity and correct description.

Senator McNARY. Where do you get your fertilizer?

Mr. BEDFORD. A lot of it was German and Japanese.

Senator McNARY. Have you any atmospheric fixation plant?

Mr. BEDFORD. No. We have had no necessity for it. The country is new and young.

The CHAIRMAN. It is quite like our western country here; it does not need much fertilizer.

Mr. BEDFORD. A lot of our country is volcanic soil, 100 to 120 feet deep, and I think there is very little fertilizer used even on the downs, which has been under crop for 50 years.

Senator KEYES. You spoke of offering surplus coal for sale in this country.

Mr. BEDFORD. Yes.

Senator KEYES. Is it the policy of your Government to produce a surplus?

Mr. BEDFORD. Well, we can not operate without producing it.

Senator KEYES. How large a surplus?

Mr. BEDFORD. A thousand tons a day will be the output from the Bowen mines.

Senator KEYES. Have you been selling it here heretofore?

Mr. BEDFORD. No. You see we have just equipped the mine for production and export. It is a very thick seam, 16 feet, and in order to get anything like economical production you must produce in volume.

Senator KENDRICK. What character of coal is it?

Mr. BEDFORD. It is semi-anthracite; very low in ash and moisture.

Senator RANSDELL. Where do you dispose of most of that surplus coal?

Mr. BEDFORD. We have not disposed of any of it yet. We are just equipping.

Senator RANSDELL. Where do you contemplate selling it besides the western coast of this country?

Mr. BEDFORD. Well, anywhere in America, Manila, and Java.

Senator RANSDELL. South America as well as North?

Mr. BEDFORD. Yes.

Senator McNARY. Do you think you can compete with the coal miners and producers of this country on the Pacific coast?

Mr. BEDFORD. One difference between coal on this coast and coal there, there is twice as much land freight as there is sea freight. I don't know the figures actually. England has been landing it there at 40 shillings a ton c. i. f. e.—landing it in San Francisco. I can not see how they pay for greasing the wheels on the prices and the distances.

In State matters there are several other activities such as insurance. We passed a State insurance act which got into operation in 1917, and three years or so later we broke the world's record in paying the first bonus in the life department. By the cutting of rates we have saved the community £150,000. That is \$1,050,000—say a million dollars a year in premiums.

In workmen's compensation we lowered the cost of premiums 10 per cent and doubled the benefits, and also admitted certain occupational diseases which previously had no redress in the case of loss or death at all, such as miners' phthisis and various diseases of occupation. The reserves out of fire, life, and workmen's compensation now amount to \$2,500,000, and whereas that money, in the hands of private companies, used to go away generally to fatten foreign

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shareholders, as most of those companies are foreign owned, that money now goes back into the agricultural bank and completes its cycle back to the farmers as loans. The Australian States agricultural banks have advanced a hundred million dollars to farmers, and five hundred and fifty millions have been returned. It was borrowed at such a cost that the profit made in 20 years is only \$2,500,000.

We had to start a State produce agency because there were places where cooperation did not work. It was really called into existence by such facts as these. A farmer had sold 10 tons of potatoes at \$7 a ton and then out of curiosity he followed them to the place where he had sold them, and found they were never taken off the truck and were resold for \$14 a ton, so that the man who simply ordered them by phone got as much as the man who put them in and provided the land and the labor. So we started in with this State produce agency, which now handles at between 2 and 3 per cent, which is equivalent to the best methods in the cooperative companies. These handle at 3 per cent and the rebate is about 35 per cent of the commissions paid, which would bring it down to between 2 and 1½.

During the war honey was £46 a ton locally and £290 a ton in England. That is \$230 a ton in Australia and \$1,450 a ton in England, owing to the fact that honey was so low on the priority that the difficulty of getting shipping space accounted for the profit. The private commission agent took the difference, and the Government Produce Department in all its shipments pays the producer the full result of the sale less expenses and interest on any advance that may be made.

We have established those agencies only where we found it necessary, where cooperation did not work, but whenever we can, we let the cooperative agency take on the work, whenever they can handle it. But when they can not, or where the people can not be organized, the state produce agency comes in to enable them to survive the market.

The CHAIRMAN. Where there is cooperation, have you found any difficulty in the cooperative institution becoming oppressive to the people?

Mr. BEDFORD. None at all.

The CHAIRMAN. How do you regulate that?

Mr. BEDFORD. We do not regulate it, but it can be regulated. The scheme of dairy cooperation that we have now is one of cooperative creamery and cooperative butter factory, and each of those cooperative butter factories make a unit of the Australian Wholesale Cooperative Distributors' Association, and that takes the produce right to the London consumer, in whom we are not particularly interested. For our own consumers the Cooperative Association has certainly not raised the price. In New Zealand there is a cooperative association that had a turnover last year of \$37,000,000 from the producer, and its retail stores turned over \$7,500,000. Of course if we wanted to get an absolute cycle completed there should be the cooperative union of producers and then the cooperative union of consumers.

A suggestion was made as to Australian banking.

The CHAIRMAN. This, of course, is an agricultural committee, and we are more interested in agriculture than anything else, but we would like to hear anything you have to say.

Mr. BEDFORD. The position of the agricultural bank is that it makes advances on lands just patented and for improvements, and works its charges out about 3½ per cent to 5 per cent, with very long, easy terms for repayment.

The CHAIRMAN. Is that a bank that accepts deposits?

Mr. BEDFORD. No.

The CHAIRMAN. It is similar to our land banks?

Mr. BEDFORD. That is it; yes.

Senator RANSDELL. What is the character of the security?

Mr. BEDFORD. The character of the security is the farm itself, the land.

Senator RANSDELL. The land?

Mr. BEDFORD. Yes; the land and its equipment. We advance money for improvements and stock, you see.

The CHAIRMAN. Where do you sell the mortgages?

Mr. BEDFORD. The land is mortgaged to the State.

The CHAIRMAN. Yes.

Mr. BEDFORD. The only people to whom it can be mortgaged.

The CHAIRMAN. Yes.

Mr. BEDFORD. The bank funds are fed from State savings bank funds and consolidated revenue. Now, some from insurance.

The CHAIRMAN. The State does not resell?

Mr. BEDFORD. Oh, no.

The CHAIRMAN. Then it must have a great deal of money in its banking system there in order to handle the loans of the farmers?

Mr. BEDFORD. It never turns an application down that is a good application, and the whole of Australia has only got a hundred million loaned to farmers.

Senator RANSDELL. When you say a hundred million you mean pounds?

Mr. BEDFORD. No; dollars. Of that it has received back half, and I don't know that it makes any losses. Of course, mind you, it is carrying the service on at such a price that 20 years of operation only shows a profit of half a million dollars.

The CHAIRMAN. Where does it get its money?

Mr. BEDFORD. It gets its money from the savings banks and other State sources.

The CHAIRMAN. That means in some form of taxation you raised money to loan?

Mr. BEDFORD. Or not taxation moneys. We would lend any reserve which was not immediately wanted. We would lend an insurance reserve which was not wanted. We would even use loan funds that were not in use.

Senator RANSDELL. I am particularly anxious to know if you have anything like a short-term loan to farmers for making and harvesting crops?

Mr. BEDFORD. Oh, yes.

Senator RANSDELL. The security being, then, a mortgage on the land?

Mr. BEDFORD. Well, yes. We have got such things as short-dated loans. For instance, we have loaned without taking a mortgage on the land, money for the purchase of seed wheat, or we have loaned money for the purchase of fertilizer.

Senator RANSDELL. How is that conducted?

Mr. BEDFORD. We simply give him credit for the fertilizer and he buys it, or we buy it and give it to him.

Senator RANSDELL. By "we" whom do you mean?

Mr. BEDFORD. The Government.

The CHAIRMAN. When he says "we" he means the State.

Mr. BEDFORD. When I say "we" I mean the State.

Senator RANSDELL. Have you a bank organized for making short loans to the farmers as distinguished from your bank which makes these long-time loans?

Mr. BEDFORD. No. The functions of the State bank have been extended by the Government in that direction, to make short loans.

Senator RANSDELL. It does both, then?

Mr. BEDFORD. Yes. And before that was done we used to make them direct from the land or agricultural department, and the department gave them warrant on the bank.

Senator RANSDELL. What do you charge the farmer for those short loans, say 6, 12, or 18 months?

Mr. BEDFORD. It would be lower, certainly, than the bank rate, whatever it is. That fluctuates, of course. Sometimes you are getting around an 8 per cent rate, are you not?

Senator RANSDELL. Yes. And it is lower than that?

Mr. BEDFORD. It is lower than the bank rate.

Senator RANSDELL. You recognize, then, that agriculture is the basis of all the wealth, and you are going to favor it all you can? Is that the theory on which you work?

Mr. BEDFORD. We have built nearly 7,000 miles of railway in order to help agriculture, and coupled with that is the development of the public estate. We know very well that all prosperity is based on the industries of the land and its secondaries.

Senator KENDRICK. Do you have any system of loans for financing rather longer than the short-time loans referred to by Senator Ransdell, to take care of the production of live stock?

Mr. BEDFORD. Yes.

Senator KENDRICK. My object in asking the question is that we are facing that problem now.

Mr. BEDFORD. The Senator here was asking me as to short loans without mortgage; practically short loans on honor. That is all it amounts to. But the other loans that you speak of, for stock, for the purchase of stock, and the protection of stock, are practically part of the mortgage on the farm. It

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is not a mortgage. It is a lien, but he executes a note with the farm back of it.

Senator RANSDELL. And the kind of loan I have asked about could be secured by a lien on the crop?

Mr. BEDFORD. Yes.

Senator KENDRICK. Following that up, please, I wanted to ask you this: We are now discussing the advisability of passing a law for providing credits, a law that would provide credits for the production of live stock for a period of time required in the process of the production—two or three years' time.

Mr. BEDFORD. Yes.

Senator KENDRICK. We seem to have commercial credits and we have farm loan banks, and that sort of thing, but there seems to be an absence of this particular form of credit, and a good deal of demand for it.

Mr. BEDFORD. That is a restocking credit?

Senator KENDRICK. Yes.

Mr. BEDFORD. Oh, yes. It is quite common there.

Senator KENDRICK. Is it?

Mr. BEDFORD. Oh, yes.

Senator KENDRICK. Do you remember the details of how that is provided?

Mr. BEDFORD. It is provided by a general lien on the stock so purchased.

Senator KENDRICK. On the livestock or on the land?

Mr. BEDFORD. We do not give the money to buy the stock, you know, so that the farmer can take it and do with it what he pleases, but we buy the stock for him, getting it as cheaply as possible, on the lowest possible market. For instance, now that we have state stations, if a man would want to restock, we would certainly not go past ourselves in buying our own stuff, from ourselves, and selling it to him. The scheme generally of restocking would be that he would be given the stock on his own note, chargeable against the stock, which would be insured, or as against the crop, which would be insured, but with no farm mortgage with high mortgage fees for it.

Senator KENDRICK. In that connection do you have local supervision of the management of this stock?

Mr. BEDFORD. The Agricultural Bank has traveling inspectors whose duty it is to go and look into the Government security.

Senator KENDRICK. And does this refer to the federal government, or what we know as the federal government?

Mr. BEDFORD. No; State. I am talking State now.

Senator KENDRICK. Federal with you is the State?

Mr. BEDFORD. No. The federal with us is the Commonwealth. You see the Commonwealth has no control of domestic matters at all. It has nothing to do with farmers or anybody else. The State has.

Senator KENDRICK. This is a State law?

Mr. BEDFORD. This is a State law.

Senator RANSDELL. The laws are similar in the different States, are they?

Mr. BEDFORD. No; they vary. For instance, down in the conservative States, like Victoria, which they keep conservative by having unequal electorates, such as 20,000 electors returning one member and 5,000 in another place returning also one member. Through that they get, of course, no unsectional legislation, and most of their legislation is in favor of the big fellow. And, while I think of it, in Queensland we have abolished freehold for all the unalienated land in the state. There are 430,000,000 acres in the State, and 23,000,000 or 26,000,000 are alienated. But for all the new land the State will only sell perpetual leases. This prevents the farmer starting off with a big mortgage, and working under the handicap of interest. For instance, 100 acres of the finest fruit land that there is in the world, which would, from private purchase cost, say £2,000, would take the farmer's £500 and leave £1,500 as a mortgage on it. All the State sells is a perpetual lease—9,999 years, if they like it—for \$4 to \$8 a year, as a basis of 100 acres, and the perpetual lease has worked out so well in that direction that the man on the land starts out without any interest to earn.

Senator RANSDELL. He simply pays his annual rental?

Mr. BEDFORD. Yes, and it is perpetual.

Senator KENDRICK. Does that include the taxes?

Mr. BEDFORD. Well, no.

Senator KENDRICK. Are any other taxes levied on the land?

Mr. BEDFORD. There is a land tax with a minimum exemption up to £5,000.

Senator RANSDELL. Which the leaseholder has to pay?

Mr. BEDFORD. No; the leaseholder has not to pay. There is an exemption in the Commonwealth land tax up to £5,000.

Senator RANSDELL. But over £5,000?

Mr. BEDFORD. Yes; but only as to land which is worth it. We put in that £5,000 exemption because it helped the man who was really working his land and taxed the big man, including the absentee who did not think the country good enough to live in but good enough to squeeze dividends out of.

Senator RANSDELL. Then suppose the land was worth more than £5,000?

Mr. BEDFORD. He would pay then, on the difference. The State treatment of the soldier in the matter of perpetual lease and help has been such that the civilian is now asking for it. But after we had provided the returned soldiers with some of the finest pineapple land there is, we found the middle-man was giving only one shilling a case or so. In order to save the man we put on the land, we had to start a state cannery, and we have an exportable surplus from that.

Senator RANSDELL. You come pretty near handling all business there through the State, don't you?

Mr. BEDFORD. No; and the little we handle we have to. We have been forced to do it. For instance, before the war Australia was the greatest producer of opal in the world, as you probably know. There were two German towns which grew up on cutting Australian opal. Some time later there was one German town which had an important side line on cutting Australian sapphires. The Queensland miners were being starved by the purchasing combine, and when the war was over those men came to the Government and asked it to take on the pooling of the sapphires.

War made the Commonwealth pool all the wheat of the Commonwealth. That pool will never be given up again by the States for the reason that for the first time in history the farmer is not fighting himself. He would send all his stuff into one place, where it would be auctioned in small lots, and he would be fighting himself all the time; or he would send down to one of the big agency companies. There were cases of produce being dispatched as Grade A and reported on arrival to be Grade B, although it was afterwards sold as Grade A for export.

Senator RANSDELL. You have practically state socialism, have you not, Mr. Bedford?

Mr. BEDFORD. In a few lines; yes, sir.

Senator RANSDELL. That is practically what you have.

Senator KENDRICK. Not only practically state socialism, but they have got a practical state socialism, one that works.

Mr. BEDFORD. We are forced in the interests of good government to go into business. If somebody is going to establish a trust and it becomes oppressive enough for interference it means that we shall interfere.

Senator RANSDELL. Is there any capitalism under that system?

Mr. BEDFORD. Of course there is.

Senator RANSDELL. Explain to me how capitalism can work under a system of state socialism?

Mr. BEDFORD. Why can't it? If we should take up every job there was in the world the individual would be out, except that he would be a leader or a worker under state socialism. But state socialism does not propose to take on every job. As a matter of fact we are chary of it. It is only when we find injustice is being done by one little central combination to a big body of citizens that we step in on it. We don't want it. We are forced to it.

The CHAIRMAN. You take it on, as I understand it, only in cases where it is necessary to meet the private monopoly.

Mr. BEDFORD. Yes, sir. For instance, the cannery monopoly. They were going to drive those returned soldiers off of this pineapple land. They were giving them a shilling a case, 25 cents for probably three dozen pineapples in the case.

Senator RANSDELL. They ought to have given them how much?

Mr. BEDFORD. We paid them 5 shillings. They, the cannery, were getting the difference.

Senator RANSDELL. Now you are paying 5 shillings and you make money out of that, even?

Mr. BEDFORD. Yes.

The CHAIRMAN. And the producer makes something, because he gets a bigger price?

SURPLUS PRODUCTION.

The problem of handling and financing.—In any program of stabilization provision must be made to take care of both surplus and deficient production. In Chart III the surpluses are shown graphically. The size of these surpluses in terms of figures is significant, as a few illustrations will show. In the six years 1875-80 there was piled up a production above normal of 853,000,000 bushels; from 1888-89, 386,000,000 bushels; from 1895-1900, 1,100,000,000 bushels; from 1904-6, 575,000,000 bushels; in 1912, 420,000,000 bushels; and in the years 1920-21, around one-half billion bushels. If purchased at the average price for the period the cost of removing these quantities of corn from the market would amount in round numbers to the following figures, for the respective periods: \$240,000,000; \$180,000,000; \$507,000,000; \$313,000,000; \$248,000,000; and \$292,000,000. These sums do not take into account interest, storage charges and other items of unavoidable expense. The problem of financing a program of price stabilization even in the case of a single crop is plainly of no mean order.

Difficulties in disposal.—No less perplexing would be the problem of disposing of these accumulated surpluses. If exported these surpluses could of course be sold only in competition with the product of other countries, and necessarily at a lower figure than the fixed price. Nor should it be overlooked that we should, in the case of corn, be taxing ourselves to supply our competitors a cheap raw material with which to drive us out of our foreign markets for beef and pork products.

On the other hand, if the purchased surplus were stored for resale in this country, it would, in normal times, very likely defeat the end for which its purchase was intended. The transference of a surplus from the farmers to the Government would not eliminate its influence upon the market unless it was the avowed intention to destroy it or to hold it for an indefinite period. The resale of the surplus in the United States would in surplus periods tend inevitably to depress the price and defeat the purpose of price fixing. On the other hand, to carry the surpluses into short-crop periods when they could be profitably sold would involve serious problems of low prices for short crops and of storage, losses through shrinkage, carrying charges, and the maintenance of a Government personnel which would in all probability find its attempts to stabilize prices upset by shifting economic conditions. The cooperative marketing program eventually proposed to revert to each grower his portion of the surplus.

Influence upon acreage.—The guaranteeing of prices in surplus years would also tend to stimulate an increase of acreage. There is a normal tendency to adjust corn and other acreage to prices as influenced by production. Under a régime of price fixing it is likely that acreage would increase in surplus years to complicate the problem, but under the cooperative marketing system the surplus would be in the producer's hands so he would have notice to adjust his acreage to consumption needs plus a safety carry over.

DEFICIT PRODUCTION.

The problem of replacement.—The deficit years would likewise present serious difficulties. If surpluses were not carried over it would be necessary to import in order to stabilize the price. The deficits in corn production, shown graphically in Chart III, mount to substantial figures, of which the following will serve as illustrations: 1881-1883, 557,000,000 bushels; 1892-1894, 980,000,000 bushels; 1901, 748,000,000 bushels; 1907-1909, 366,000,000 bushels; 1913-1914, 398,000,000 bushels. It is very improbable that these quantities of corn could be procured when needed from other countries. Argentina's annual corn production has at no time exceeded 326,000,000 bushels, and her maximum annual exports to date have not exceeded 191,000,000 bushels. However, if it is assumed that purchase could be made at average farm price the costs of securing corn from without, with which to take care of the deficit years cited would be respectively as follows: \$247,000,000; 454,000,000; 358,000,000; \$199,000,000 and \$241,000,000.

Influence upon acreage.—It seems reasonable to believe that the stabilization of prices below the market or world level in deficit years, would tend to reduce acreage when the reverse would be desirable. Stabilization, from the consumer's viewpoint, in deficit years would also work to the financial disadvantage of farmers who were handicapped by low prices in years of surplus production just at the time they need the stimulus of better prices to cause an increase in acreage.

All farm products tied together.—The charts and data submitted apply specifically to corn. The principles illustrated apply with modifications to other crops. Stabilizing the prices of one or merely of a few crops would, of course, tend to throw our whole program of production out of its normal course and lead to serious complications. On the other hand, if price stabilizatin were attempted for all crops it would require knowledge and wisdom of a most unusual order.

What is a fair price?—Presumably all that price fixing should give us, unless we are deliberately setting out to treat agriculture as an infant industry and one to be continuously subsidized at public cost, is a price that is fair; and a fair price is such price as the free play of competitive factors would fix.

If there is such free play there is no reason for artificial stabilization.

If there is not, it would seem that the most radical and effective way to obtain fair prices would be to alter the conditions that prevent a free action and reaction of supply and demand.

An unfair price is a symptom of a deranged relation between producer and consumer. It is better to correct the relation than to alleviate the symptom.

Assuming that as the last resort and as a part of national policy price fixing should be resorted to it is evident that we should not turn to it until it is established that fair prices can not be obtained in other ways than by direct governmental action. This is so because of the inherent difficulties of price fixing by any arbitrary means and the friction it would produce between the producer and the consumer if the latter is compelled by law to support the former through increased living costs and taxation—the one or the other, or both, as the case may be.

Advantages of "natural" stabilization.—To correct unfair conditions and practices instead of arbitrarily altering by law the result of such factors has the advantage of being in line with present economic theories, trade policies, and the machinery of commerce. It is reform worked out from inside and not from without. It tends to promote self-reliance and initiative and therefore builds up strong, healthy, resourceful individuals and an energetic commerce and industry. It results in commercial relations that stand on their own feet and are not dependent on the vagaries and whims of government. It attains the purpose without the further injection of government into business with all of its implications of red tape, rigidity, slowness, inadaptability, and restriction of individual independence.

What will insure fair play in competitive price making?—To answer this question we must first consider what are the factors in bringing buyers and sellers together on prices. If both have full information concerning all the factors of supply and demand, the making of the price between them will depend on the desires and necessities of both and on their respective controls—partial or complete—over supply and demand, however this may arise, whether from possession or control of the product in question, through control or possession of the purchasing concession, through control of handling facilities or charges.

Supply factors.—Agricultural supply varies in relation to requirements because the volume of production, so far as it is dependent on planning, is fixed by plans laid a year or so in advance, because there is very little agricultural production on order, because this year's crop plans are largely based on last year's demand and prices; because there is no concerted control of production; because producers are small and scattered; because of the tremendous variations in crop yields with the weather; because the commercial crop varies in size according to its quality, adaptability to storage, incoming or new supplies and substitutes, etc.

Demand factors.—Demand varies on account of substitutes, new products or compounds, new tastes or desires. The demand for the most important staples is comparatively inelastic, viz, bread, grains, cotton, potatoes, cabbage, onions, tobacco; and to a less extent, meats, dairy products, fruits. In the case of these products therefore, any variation in supply causes great fluctuation in prices.

How to realize fair competitive conditions.—Now, to make competition between buyer and seller fair, we must see that the seller is as well informed as the buyer, concerning all market-affecting conditions, and that he is just as free and powerful to control the variable conditions of supply as the seller is of demand. To bring about this equality of position between the farmer and the buyer of his products it is necessary—

(a) to have comprehensive, reliable, and timely information concerning all the factors of supply, demand, price, and market conditions.

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- (b) The following conditions of production and distribution:
1. Intelligent and economical production, which means farm education.
 2. Standardized and economical packing, grading, processing, transporting, marketing, storing.
 3. Efficient distribution by season and area and prevention of wastes.
 4. Collective selling.
 5. Adequate credit facilities for capital and operating purposes, including production, storage, and orderly marketing.
 6. Equitable freight rates and efficient transportation service.
 7. Maintenance of competition in manufacturing and commercial industries.
 8. Elimination of fraud of all sorts, such as false weights, dishonest grading, crooked inspection, misrepresentation of market conditions, and transactions, substitution, etc.

Price fixing undesirable.—The Government, responding to the initiative of the farmers, is now embarked on a program which aims at all these things and tends to bring the producer and the ultimate consumer closer together. Moreover, the program goes further than prices and deals with all the conditions of farm and rural life, looking to their improvement. To go off on a price-fixing tangent at this time would be to abandon the fruit of an infinite amount of thought and planning to deal with prices in a far more fundamental and enduring way. It might even lead to the undoing of what has been done in this direction, and would certainly retard its further development.

In the second place, as has already been pointed out, the agricultural situation is improving so that it is doubtful whether artificial price fixing would be of any material assistance. In addition to the charts to which I have already called your attention, as bearing on this phase, I am submitting some others and also certain price tabulations. They show that the money price of farm products now tends to ascend, that farm implements and fertilizer and interest rates are descending, and that the average price of all commodities is stationary. All of which goes to prove that we are approaching a condition of price equilibrium or parallelism. Artificial price fixing would undoubtedly disturb this tendency.

PART V.—GOVERNMENT PRICE FIXING, ANCIENT AND MODERN, DISAPPOINTING.

SUMMARY OF ANCIENT PRICE FIXING.

Price fixing by government is a very ancient device for attempting to assure a supply of food at a reasonable price. It is to be noted that in all western instances, up to 1800 at least, the purpose was to protect the consumer. China seemed to have the farmer and the consumer in view and took pains to store grain in plentiful years so as to give the farmer a little more than the average price in times of plenty and to prevent his getting more than the average price for all years in times of scarcity.

The plain recognition of a cheap food supply as essential to the existence of the State is outstanding in all price stabilization of history. The supplier of food is to receive no more than enough to encourage him to bring forward the supply.

The history of government limitation of price seems to teach one clear lesson: That in attempting to ease the burdens of the people in a time of high prices by artificially setting a limit to them, the people are not relieved but only exchange one set of ills for another which is greater. Among these ills are (1) the withholding of goods from the market; (2) the dividing of the community into two hostile camps, one only of which considers that the government acts in its interest; (3) the practical difficulties of enforcing such limitation in prices which, in the very nature of the case, requires the cooperation of both producer and consumer to make it effective.

Egypt took entire control of the grain trade almost 3,000 years before Christ and saved the people from starvation, but took over the land in return.

China controlled her grain supply, according to her historians, as far back as 1122 before Christ and worked out about 500 B. C. a system of control of supply and demand which kept prices normal. She seems to have been the only country which recognized the whole price question as being a symptom and not the disease itself, and, because she recognized this fact, seems to have come nearer than any other country to solving the problem of supplying the people with the food they needed at a price they could pay.

Athens, 400 years B. C., regulated the grain trade and set prices by legal enactment, but found herself unable to enforce them.

Mr. BEDFORD. We have a number of selling places, and all the stock going into those metropolitan markets is bought at auction.

Senator KENDRICK. And you have had no difficulty about the competitive part?

Mr. BEDFORD. We know very well that there has been an arrangement, a ring, not to bid against each other in certain places, but the export trade during the war was so hot that that was largely lost sight of. The export trade during the war was so big that all the rings were broken up, and competition was open and free again. Of course, prices have fallen to nothing now.

Senator LADD. I would like to ask a question there. We have before Congress a bill for the stabilization of prices on grains. I would personally like to know something about how your wheat is handled and other grains in Australia.

Mr. BEDFORD. Well, all the wheat goes into a pool, on which a certain price is fixed. Politics again have come into it. There has been an attempt by the Commonwealth to outbid the State and by the State to outbid the Commonwealth. Queensland does not export, supply being just about up to our local demand. Say the price of wheat is fixed at 7s.

Senator LADD. That is, fixed by the Government?

Mr. BEDFORD. The Commonwealth government states the price Australian wheat has got to pay this year. Then they advance the farmer on his certificate. Say the price being 5 shillings, they will advance 3 shillings, and then they give him successive dividends of the other 2 shillings as the stuff is realized.

The CHAIRMAN. As it is sold?

Mr. BEDFORD. As it is sold.

Senator KENDRICK. How long has that been in operation?

Mr. BEDFORD. It has been in operation since 1915. It was put through as a war measure.

The CHAIRMAN. Where does the Government get the money to make this advance? They make it before they sell the wheat, do they not?

Mr. BEDFORD. They have got it in their own bank.

The CHAIRMAN. They take it right out of the treasury?

Mr. BEDFORD. They take it right out of the Commonwealth bank.

The CHAIRMAN. Who determines what value shall be placed on the wheat?

Mr. BEDFORD. Well, a board representative of each State takes the basis of the cost of production and freight to the overseas market and establishes the pool price, and if it brings any more the farmer gets that balance.

The CHAIRMAN. Suppose it does not bring that much?

Mr. BEDFORD. Then he gets a little bit less. In the meantime he has had his living wage.

The CHAIRMAN. I understand that to begin with this board will fix the price of wheat for this year?

Mr. BEDFORD. Yes; the State boards.

The CHAIRMAN. That means the farmer has got to have that much, does it?

Mr. BEDFORD. Yes.

The CHAIRMAN. If it does not sell for that much the State buys it?

Mr. BEDFORD. So far it has never worked out wrong. It is done pretty conservatively.

The CHAIRMAN. I suppose that is true in theory, but as a matter of fact there has never been a loss yet?

Mr. BEDFORD. No. You see if you take it with sufficient margin against loss you do have a loss. They say, "Now, you may get up to 7. You will get 6. Of course you will get 7 if we can get it, but you will bet the 6 anyhow, and here is your first 3 shillings."

Senator NORBECK. May I ask further along that line, say, as an illustration, wheat sold for approximately \$2 and in a few months went down one quarter of that. How would the Government protect itself against a slump so violent as that?

Mr. BEDFORD. I don't know, except that we haven't had the necessity.

Senator NORBECK. Of course it is within the range of possibility that the Government may sustain a loss when the market reverses quickly.

Mr. BEDFORD. Quite. We have to stick on the job and handle it. Something had to be done, in the first place, during the war. Otherwise those men were being asked to grow for the sake of the Allies, to produce wheat to beat the enemy with, and they had to get some guaranty that they were going to get something for it.

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The CHAIRMAN. And the sentiment is strong for continuing it?

Mr. BEDFORD. Yes. The farmers won't let it stop.

The CHAIRMAN. Because it has worked so well?

Mr. BEDFORD. They were already wedded to cooperation, and here is a case where they had cooperation in one particular staple to stabilize the industry.

The CHAIRMAN. The farmer producing wheat does not need to pay any attention to the pool if he does not want to?

Mr. BEDFORD. Oh, yes; it is a compulsory pool. It must go into the pool.

The CHAIRMAN. Let me see if you understand me. If I were an Australian farmer now, and I produced a thousand bushels of wheat, am I compelled to sell it to that pool?

Mr. BEDFORD. If you are going to export it. You can not export it any other way except through the pool.

Senator KENDRICK. This provision has to do principally and practically with the surplus?

Mr. BEDFORD. Yes; practically the exportable surplus.

Senator KENDRICK. But he secures a market for all his wheat?

Mr. BEDFORD. He secures a market for all his wheat, yes.

Senator RANSDELL. In substance that is the price fixing of wheat, one of the commodities. Tell me whether or not you have a similar kind of price fixing for other products of the farm?

Mr. BEDFORD. We have got it in some States, but not in others.

Senator RANSDELL. What other products do you fix the price on?

Mr. BEDFORD. We have quoted butter outside for local consumption.

The CHAIRMAN. Sugar?

Mr. BEDFORD. Sugar.

Senator RANSDELL. Cattle?

Mr. BEDFORD. Yes.

Senator RANSDELL. Sheep?

Mr. BEDFORD. Yes, sir.

The CHAIRMAN. What kind of wheat is produced in Australia—spring or fall?

Mr. BEDFORD. It is all summer wheat. That is to say, whether they plant in spring or fall, you mean?

The CHAIRMAN. Yes. They plant two kinds of wheat here.

Mr. BEDFORD. We have only one kind of planting. That is harvested in the summer.

The CHAIRMAN. I understand; but it is sowed in the spring?

Mr. BEDFORD. In the spring.

Senator RANSDELL. That is in the nature of a guaranty of profit to the farmer. What do you do in manufacture? You haven't got so many of them, I imagine, to deal with.

Mr. BEDFORD. We have fairly big manufactories.

Senator RANSDELL. Do you guarantee them a return from their enterprise, too?

Mr. BEDFORD. The actual manufacturing workman is protected by wages being fixed, and the other man is protected by duties, sometimes not as high as we would like to see them.

Senator LADD. Protective tariff?

Mr. BEDFORD. Yes, sir.

Senator KENDRICK. In connection with your method of handling this, I want to ask under the operation of this law has the price of these products declined gradually according to the needs of the country and the changing conditions?

Mr. BEDFORD. Yes.

Senator KENDRICK. Just the same as they would ordinarily, except that there has been no terrific decline?

Mr. BEDFORD. No; it has been an easy fall. It has been an easy decline.

We have failed a little bit in getting to the landlord. He is a hard fellow. We have a fair rents bill that does not work, and it is only in one State that it is enforced, where we have the landlord where we want him and rent is cheaper. House rent is cheaper in Queensland than in any other State in Australia, because we take on land as a commodity and price fix that, too, subject to the cost of the land and the cost of the building and the amount expended on it and the taxes and all the outgo.

The CHAIRMAN. I would like to put your commissioner to work in Washington.

Mr. BEDFORD. Well, I should prefer that I be not asked to take it on.

Senator LADD. I am interested to know whether there is any speculation in grain. I take it you do not leave any chance for speculation?

Mr. BEDFORD. The speculation comes in in this way: Supposing, for instance, say this is G wheat, at 4 shillings. Mind you, as far back as G wheat will not be cleaned up yet, for, all overseas sales. Supposing that price was fixed at 5 shillings. Three shillings was paid as a first payment, then an extra dividend of a shilling was paid, making 4 shillings. They say, "Now, what will this pool pay?" You see every pool is on its own basis. There is no carrying over. If there is a credit from B pool you can not carry it into C.

Senator LADD. It still must stay in the B pool?

Mr. BEDFORD. It still must stay in the B pool. It comes out that if there is anything over, any excess, it goes back as additional dividend. Supposing there is a deficit on C pool. C pool again stands on its own basis. In other words, although D pool is still in the market, another shilling would be paid on D. The little Wall Streets act as to the speculativeness on their judgment as to what that last dividend is going to be. It may be over or under.

The CHAIRMAN. So they gamble on that?

Mr. BEDFORD. That is where the only gambling comes in.

Senator KENDRICK. Do you have your grain exchanges in Australia the same as we have here?

Mr. BEDFORD. They are being put out of action by the pool.

The CHAIRMAN. If there are no further questions along that line, I want to ask Mr. Bedford something on a somewhat different line. Quite a number of years ago I read a magazine article which showed Australia had decided to move its capital, figuring on the building of a new capital.

Mr. BEDFORD. Yes.

The CHAIRMAN. They had very elaborate plans, and I have never found out how that turned out.

Mr. BEDFORD. I was on the capitol site a year or so ago and I boiled a billy-can near it.

The CHAIRMAN. It is still just a site?

Mr. BEDFORD. Yes. It has some good trees. There is an excellent site where the capitol is to be, and there is a very elaborate foundation stone, but practically that is all there is. The Federal captiol must be built, because, the capitol now being down in Melbourne, we find that except for the custom-houses and the post offices the influence of the Commonwealth extends from the Federal Parliament House in Melbourne down to the Spencer Street Railway Station, and the Commonwealth must get into its own house and into its own territory.

The government is now going to build a wooden capitol, simply because the political agitation is too strong to resist; so it is agreed to put in a wooden capitol and try to get it opened this year. In the meantime it is good picnicking ground.

Senator KENDRICK. You are nearly all English-speaking people, are you not?

Mr. BEDFORD. Oh, yes.

Senator KENDRICK. It is impossible to believe you would have any serious difficulties—

Mr. BEDFORD. We should not.

Senator KENDRICK. Among yourselves and other English-speaking peoples.

Mr. BEDFORD. We have plenty of differences. There is bitterness in our politics sometimes.

Senator RANSDELL. How about woman suffrage?

Mr. BEDFORD. We have had it for years.

Senator RANSDELL. Has it worked well?

Mr. BEDFORD. It has worked happily. The women's vote is the vote of her husband. We have not found that it altered political parties at all. It only meant that the women came into the game and duplicated the husband's vote.

Senator RANSDELL. Do any women hold office in Australia?

Mr. BEDFORD. There is one woman in Parliament in Western Australia, in the State parliament, but I think she feels her loneliness.

Senator KENDRICK. I made that statement about English-speaking people because of a statement made to me by John Burns when I was in Europe. He said that "We Englishmen are the original revolutionists, but we usually have our revolutions in entirely a legal manner, within the law."

Mr. BEDFORD. Our big menace in Australia is an extension of imperialism. Of the five and a half million people in Australia over four and a half million are native born. They are for Australia. The others are the Tories, Imperial-

ists, Free Traders, the people who think that Australia should produce wool and soldiers, but should not ever wash the wool; send it out as greasy and import it again as shoddy; and they hate, naturally, anything in the direction of liberal ideas. They call themselves Loyalists, and say that we are the Bolsheviks, just as, for instance, the people who opposed independence in America were called the Loyalists because they were Tories. That is the only trouble we have in Australia. The only people who are keeping Australia back are those people who are roaring "Empire" all the time, and never "Australia." They have gone so far as to say the Union Jack should be flown in the schools and the Australian flag not. But all of that, of course, is making a larger and larger majority in favor of—well, Australia first, last, and all the time.

Senator RANSDELL. Separation.

Mr. BEDFORD. Well, no; there won't be any separation.

Senator RANSDELL. There will not?

Mr. BEDFORD. No.

Senator RANSDELL. You don't want separation?

Mr. BEDFORD. It doesn't matter. As a matter of fact, we are more our own masters than you are. Nothing goes beyond the Parliament, elected by the people, through universal suffrage. The King has nominally the right to veto. He or rather the British Government ostensibly has the right of veto, but the British Government never exercises the right.

Senator RANSDELL. He don't veto, but, as a matter of fact, has not he the legal right to veto?

Mr. BEDFORD. Oh, yes.

Senator RANSDELL. And there is no way of passing over his veto, is there?

Mr. BEDFORD. Oh, yes; by simply not taking any notice of it.

Senator RANSDELL. Would not that be treason against the mother country?

Mr. BEDFORD. Well, that which is treason when it fails is patriotism when it succeeds. But the veto is never used, anyhow.

Senator RANSDELL. The King does not appoint a Governor General in Australia like they do in Canada?

Mr. BEDFORD. The British Government does appoint a Governor General.

The CHAIRMAN. He is an ornament, isn't he?

Mr. BEDFORD. He is an ornament. There was one State governor who attempted to pass an opinion on Australian politics, and everybody arose to hit him, and he resigned soon afterwards.

The CHAIRMAN. England submitted to you?

Mr. BEDFORD. England submitted to local opinion, yes. You must remember we had our little revolution in 1854.

The CHAIRMAN. This has always been in my mind: Suppose England did not want to do that. It seems to me under the form of government she really has the power to veto anything you do.

Mr. BEDFORD. They could veto it by a ship which takes 30 days to get there; 13,000 miles, and your veto at that distance is valueless.

The CHAIRMAN. It has turned out so thus far.

Senator LADD. There is one matter I was interested in, and that is your financing, banking system. Are your banks State-owned banks, or what are they?

Mr. BEDFORD. The agricultural banks are State banks, and then the Commonwealth bank was started about eight years ago by the Labor Party, in the teeth of conservative opposition, and started without any money, and it made a monopoly of the note issue. The private banks had to come along and deliver gold and take Commonwealth notes for it. It has been a little disappointing to us, because the spirit of the thing was that it should start right out on its own, as the bank of the people, and that it should lower exchanges, but, it being represented and dominated by a governor who was a private banker before, and who had all the methods of private bankers, it merely entered into a combination with the other banks to keep exchanges where they were. It has had this tremendous result, that while it started with nothing it is now in possession of reserves of about two hundred millions in a very few years, and it certainly stabilized finance and prevented us having a panic during the first part of the war, when everybody was panicky.

The CHAIRMAN. In financial matters you still have the pound sterling, the same as the mother country?

Mr. BEDFORD. Yes; foolishly.

Senator KENDRICK. In your measurements and weights do you have the same?

Mr. BEDFORD. Yes, sir.

Senator KENDRICK. You say "foolishly"?

Mr. BEDFORD. We should have the metric system. We have already carried resolutions for the metric system in Parliament, just as we have passed resolutions abolishing imported governors.

Senator KENDRICK. Do you mean the Governor General?

Mr. BEDFORD. Well, any of them. I may say one thing in regard to the veto. At the beginning of the Commonwealth, when the Commonwealth bill was presented for ratification the representatives for the Commonwealth went to London and they were asked by the British Government to call Australia a Dominion. They replied in effect, "Nobody has any dominion over us. This is a commonwealth." Downing Street argued with them. It said, "What does it matter? Why not call it a Dominion?" The delegates replied, "We want it 'Commonwealth'!" That was the name they insisted on; even though commonwealth means a republic. So "Commonwealth" it is.

I can only say that in trade, by distance and all the rest of it, and also for reasons of self-preservation, we are bound to get further away in spirit, as governments, from the British Government, and closer up in spirit as governments to the American Government, because we have only one enemy, and that is the Japs, and I don't think any disarmament conference will have much effect on him. He will get to it when it is good and ripe. He is the only enemy we have.

Senator KENDRICK. They do not seem to have any designs on Australia. That is to say, he has not much of a footing over there, has he?

Mr. BEDFORD. We won't let him in, but he would like to come.

Senator RANSDELL. Explain to me why you have so few people in Australia. You have a tremendous country.

Mr. BEDFORD. By reason of distance. You are only five days from Europe. Probably in some respects you would be better off if you had been farther away from some of the people you have got. But we don't get your supply of Europeans because we are 42 days away. It is only distance.

Senator KENDRICK. You have a very fine climate there and very rich soil, have you not?

Mr. BEDFORD. Excellent.

Senator KENDRICK. It is just as good a place for a white man to live as any place in North America?

Mr. BEDFORD. In Queensland we have the lowest death rate and highest birth rate of all the white peoples.

Senator KENDRICK. I would like to make a statement here. During the time I was in Europe, while the war was under way, I had opportunity to observe and see every kind of a soldier on the western front, and this was the most striking thing that I noticed in connection with the comparison of the other soldiers and our own—our American soldiers. The Canadian and the American soldiers were quite the same in appearance—face, form, and everything—but the Australian soldier and the American soldier are absolutely identical. You could hardly tell one from the other; that is, white soldiers from this country and the Australian soldier. The same form and face and figure and much the same characteristics.

Senator RANSDELL. Getting back to that question of population increase, is there much sign now in your country of a rapid growth of your population or is it going on very slowly?

Mr. BEDFORD. We had four and three-quarter millions in 1911, and the population is five and a half millions for 1920.

Senator RANSDELL. Have you enormous tracts of country subject to settlement?

Mr. BEDFORD. Oh, yes. You know the old superstition about the Australian desert. I have never seen any country as bad as that country around El Paso. You see the early people who labeled Australia "desert" expected to find it covered with buttercups and daisies, and instead they found saltbush Mitchell-grass and Flinders grass, the finest fattening grass in the world.

The CHAIRMAN. I wonder if your period of drought is not longer than we experience in this country?

Mr. BEDFORD. We regard drought as compulsory fallowing. It is a good thing for the land. All the damage that has been done by drought has been by greedy people, who overstocked pastoral country. They take it at its peak and load it up to its peak and try to keep the peak production all the time.

Senator RANSDELL. I notice in reading of Australia you have a little fringe around the ocean settled and all the rest of it is still unsettled. Is that true?

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Mr. BEDFORD. I suppose you have seen a population map, have you, shaded?

Senator RANSDELL. Yes.

Mr. BEDFORD. Well, that is unfortunately so. For instance, Queensland is the least centralized of all the Australian states. New South Wales has got 52 per cent of its people in Sidney, the capital, and they did it in this way. Of course this was in the good old days when the protectionist was not a factor and there were no such things as protective duties and Sidney was governed by the importer. They brought in railways from the west, the north, and the south to Sidney. There are two great ports—Jervis Bay, 150 miles south of Sidney, and Port Stephens, 100 miles north of Sidney. Whenever there was danger of railways touching these ports the surveys were deflected westward, so that all produce was hauled to the bottleneck of Sidney for the benefit of the importer or the commission agent.

In Queensland that did not happen, because we have 2,500 miles of coast line, and we built 10 trunk lines of railway to 10 ports, and therefore we have only got in the capital 30 per cent of the population; but even that is too much. The general trend of public opinion in Australia is getting away from the big city. We believe that 20 cities of 50,000 people is much better than 1 city with a million population.

Senator RANSDELL. What is the extent of that vast territory that we have been led to believe was more or less of a desert and uninhabitable?

Mr. BEDFORD. In that alleged desert we raise hay and wheat, and some of the best and very finest cattle we have come from that part of the country. For instance, Mitchell grass and Flinders grass are the greatest fatteners in the world. You people ought to import that. If your State agricultural department would like it I would be glad to get our agricultural department to send seed over to them.

The CHAIRMAN. We would be very glad to have you write to this committee here.

Senator RANSDELL. I would thank you if you would do that.

Mr. BEDFORD. You have already brought into the worst part of California, in the sagebrush country, the Australian saltbush, also one of the finest fatteners, and in California it is doing excellent work.

Senator RANSDELL. But this Mitchell and Flinders grass, does that grow in the drought region? That takes very little moisture?

Mr. BEDFORD. It all depends on the time of your rainfall. If you get rain on it when it is seeding out it blackens it and rots it.

Senator KENDRICK. What altitude?

Mr. BEDFORD. Well, practically the entire plateau—much of our pastoral country—is near sea level or below it in Central Australia. On the Queensland plains it is up to 2,000 feet above sea level.

Senator KENDRICK. We have a high altitude in my State.

Mr. BEDFORD. You should try that saltbush here.

The CHAIRMAN. What about the latitude?

Mr. BEDFORD. Of Mitchell and Flinders grass, fifteen to twenty south.

The CHAIRMAN. Will it grow in our latitude?

Mr. BEDFORD. It should. You have the eucalyptus growing here all through California, and in those western States. I am quite sure that stuff will grow; and you can not get colder nights in the winter than you get in some parts of Queensland.

Senator KENDRICK. Is it true in your country, you have great possibilities of irrigation?

Mr. BEDFORD. Yes, sir.

Senator KENDRICK. By the conservation of water?

Mr. BEDFORD. We have taken the worst-looking country—well, not as bad as around El Paso, but the worst-looking country we have, such as the land near your Salton Sea—and made a garden of it. At one time we used to import every raisin and every currant that came into the country from the Mediterranean. We now export. It takes but little irrigation, but you can readily see the difference between this desert-like country and the country that has been irrigated. Put water on it, and it blooms.

Senator RANSDELL. Have you plenty of water to irrigate where you desire to irrigate?

Mr. BEDFORD. Yes. We have plenty of water subject to equipment.

The CHAIRMAN. What about your timber?

Mr. BEDFORD. The majority of the country, or a great deal of the country, is timbered. Of course, the big central plain is untimbered except with dwarf timber.

The CHAIRMAN. Have you a forest service?

Mr. BEDFORD. A very good forest service. We are now in the lumber business; that is, in the State of Queensland. Queensland has some of the finest cabinet woods in the world, the names of which mean nothing to you, because we have simply taken names which do not in any way explain them. For instance, we call one of our finest woods, better immeasurably than cedar, finer than cedar—we call it maple, when it is no more like your maple than I am. Still that is the name the bushmen gave to it, and it stuck. And we have another fine cabinet wood, silky oak.

Senator KENDRICK. You spoke a while ago about the immigration question. What are your restrictions as to races?

Mr. BEDFORD. No colored race can come in.

Senator KENDRICK. That is the impression I have had.

Mr. BEDFORD. We not only will not allow them, but during the war representatives of Japanese capital wished to buy iron and zinc mines. And we refused to permit them to own any of the sources of raw material, except to buy the product over the counter.

Senator KENDRICK. Have you any alien races whatsoever? Of course, your natives are not alien races.

Mr. BEDFORD. We have got 20,000 Chinamen, good citizens enough, who came in before the restriction.

Senator KENDRICK. But you have quite a large population of native Indians, have you not?

Mr. BEDFORD. Native Australian aborigines, yes, sir.

Senator KENDRICK. Are they Africans?

Mr. BEDFORD. No. They are some Asiatic race. We don't know. Australia was separated from the main continent thousands of years back and we have only one Australian animal, and that is the wild dog, which came over by land-bridge before this separation. All of our animals are marsupials. They go right back to the beginning of the land animals, probably.

Senator KENDRICK. You have no so-called colored population to speak of?

Mr. BEDFORD. Yes. The northern territory is nearly five times the size of France. We have got 2,000 white men there and 50,000 aborigines.

Senator KENDRICK. That is these Asiatics?

Mr. BEDFORD. Natives. Well, they are Australians.

Senator KENDRICK. I want to state, Mr. Chairman, that this has been very interesting to me. Apparently they have tackled something over in that country and made a success of it, that we have been shying at for years.

Mr. BEDFORD. Our difficulties have not been as great as yours. We have not had a couple of hundred years of vested interests behind us to prevent us trying the new things.

Senator KENDRICK. I just had in mind to say that in connection with our very difficult effort here to secure legislation to supervise our live stock market, while we were talking about it our Canadian neighbors on the north passed the law and put it into effect.

Mr. BEDFORD. They are a smaller community and can do things much more easily than you big ones, because the friends that the vested interests have in this community, with its hundred millions or more are tremendous in number and influence. The job relatively is twenty times as hard as in Australia.

Senator KENDRICK. I am interested to ask you a question in reference to your land settlement plan that you mentioned a while ago, particularly your tax on alien lands.

Mr. BEDFORD. On alien lands?

Oh, no, that is not an extra tax on land, but it is a tax on absentee profits.

Senator KENDRICK. Well, has that had any confiscatory effect whatsoever?

Mr. BEDFORD. No. They pass it on. The country gets a little bit more from them.

Senator KENDRICK. In my judgment, for instance, if there is any discrimination it ought to give the land owner an avenue of escape.

Mr. BEDFORD. Yes, but we are discriminating against the absentee pastoralists for lands which he is getting for a cent an acre, say, while the Australian who considered the country good enough to live in, for the same land, because he was possibly holding 100,000 acres instead of 5,000,000 acres (a retailer,

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of course, has to pay more than a wholesaler) was paying 3 pence an acre. So we simply made that land act over; amended it so that the big company paid as much as the small man. While for precisely the same grade of land the absentee was getting it for 1 cent, the Australian was paying 6 cents.

Senator KENDRICK. By saying you ought to give the land owner a means of escape, I did not mean to allow him to escape his responsibility, but I meant to say in case of legislation that actually provided a discrimination, give him a chance to unload his holdings or to dispose of his holdings.

Mr. BEDFORD. Well, you see that does not apply so much in a country where most of the big estates are held under lease with resumption rights by the State. It gives a man, say, for instance, a 15 to a 42 year lease, then at the end of that time, or about 5 years before the time, it gives him notice of resumption of such and such an area for closer settlement, the country having changed in 20 years. There is no hardship on him. He gets notice. He knew when he was taking it up that in 35 or 37 years he would have to risk resumption. And then they leave him with the balance of his land to renew his lease another term. Or, if all of it is resumed he is paid for his improvement and he goes.

Senator KENDRICK. You have large tracts held in fee simple, as we call it, have you not?

Mr. BEDFORD. No; the cases are rare.

Senator KENDRICK. All of it is held under lease?

Mr. BEDFORD. Mostly under lease. The area of Queensland is 430,000,000 acres, and the alienated freehold is only 26,000,000 acres. Four hundred and four million acres are held by the State, held under lease; leased to various people, but not alienated in fee simple.

The CHAIRMAN. Well, I believe that is all.

Senator KENDRICK. This is a very small part of what I would like to hear about Australia.

The CHAIRMAN. Yes. Well, we are very much obliged to you, Mr. Bedford. It has been a great opportunity to have you with us.

Mr. BEDFORD. I am very glad to have had the opportunity to speak to you.

(Whereupon, at 12.15 o'clock p. m., the committee adjourned subject to call of the chairman.)

STABILIZING THE PRICES OF CERTAIN AGRICULTURAL PRODUCTS

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HEARINGS

BEFORE THE

**COMMITTEE ON AGRICULTURE AND FORESTRY
UNITED STATES SENATE**

**SIXTY-SEVENTH CONGRESS
SECOND SESSION**

ON

S. 2964

**A BILL TO PROMOTE AGRICULTURE BY STABILIZING THE
PRICES OF CERTAIN AGRICULTURAL PRODUCTS**

PART 3

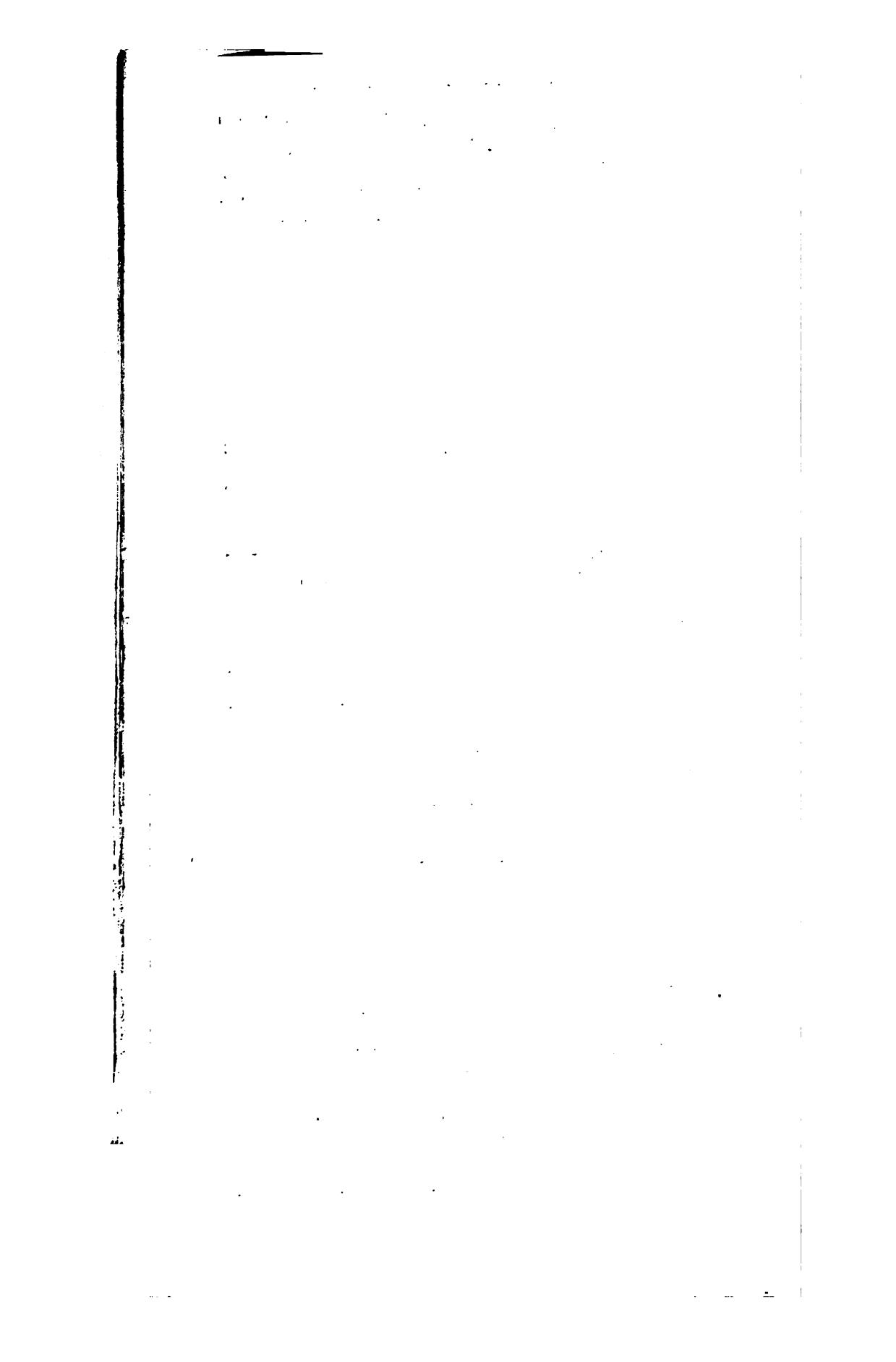
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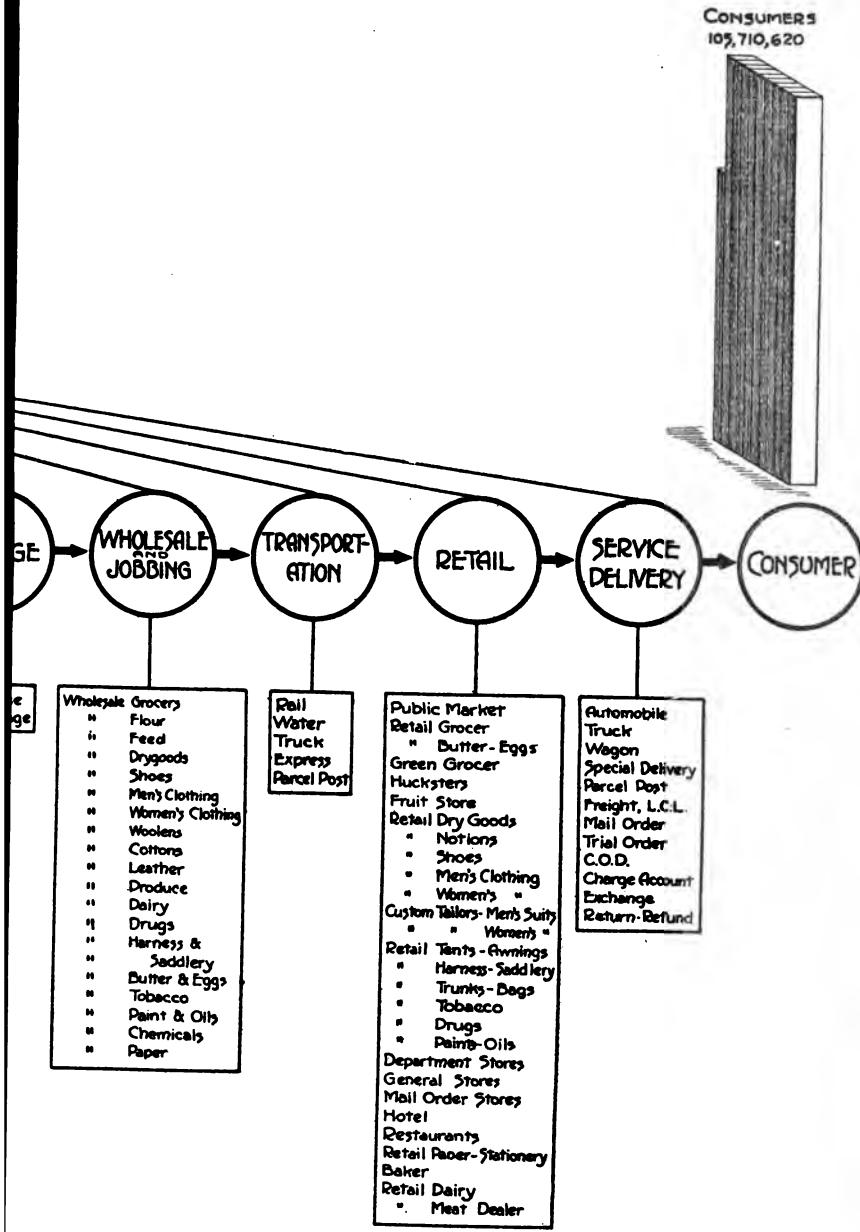
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